

# **Basic Policy on Utilization of Funds Related to Grants Funded by Dormant Deposits**

<<Outline>>(Tentative)

(March 30, 2018)

\*Compiled by the Secretariat

- The Prime Minister is to establish this Basic Policy based on Article 18, paragraph (1) of the Act on Utilization of Funds Related to Dormant Deposits to Promote Public Interest Activities by the Private Sector (Act No. 101 of 2016; hereinafter referred to as the "Act").
- The Prime Minister will later establish the Basic Plan based on this Basic Policy and the Designated Utilization Organization (hereinafter referred to as the "DUO"), Organizations Distributing Funds (hereinafter referred to as "ODFs") and Private Organizations Carrying out Public Interest Activities (hereinafter referred to as "POCPIAs") are required to follow this Basic Policy in their operations by utilizing funds related to grants funded by dormant deposits (hereinafter referred to as "funds related to dormant deposits"). Therefore, this Basic Policy serves as the basis in the enforcement of this scheme.

## **Structure of the Basic Policy**

\*Based on the matters prescribed in the items of Article 18, paragraph (2) of the Act

### **Introduction**

#### **Chapter 1 Matters Concerning the Significance and Goals of the Utilization of Funds Related to Dormant Deposits**

1. Significance of utilizing funds related to dormant deposits in public interest activities by the private sector
2. Goals of the utilization of funds related to dormant deposits

#### **Chapter 2 Basic Matters Concerning the Utilization of Funds Related to Dormant Deposits**

1. Basic principles for the utilization of funds related to dormant deposits
2. Roles of respective entities

#### **Chapter 3 Matters Concerning the Operations for Promoting Public Interest Activities by the Private Sector Necessary for Achieving the Goals of the Utilization of Funds Related to Dormant Deposits**

1. Operations of the DUO
2. System of the DUO to ensure fair and efficient utilization of funds related to dormant deposits

#### **Chapter 4 Matters Concerning the Standards and Procedures for the Designation of the DUO**

#### **Chapter 5 Matters Concerning the Standards and Procedures for the Approval of Project Plans Prepared by the DUO**

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1. Significance and purpose of the evaluation of the outcomes
2. Evaluation of POCPIAs
3. Evaluation of the DUO and ODFs
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## **Chapter 7 Other Matters Necessary for the Utilization of Funds Related to Dormant Deposits**

1. Cost coverage by the utilization of funds related to dormant deposits
2. Matters to be considered by ODFs when selecting POCPIAs by way of public offering
3. Supervision of POCPIAs by ODFs
4. Governance and compliance systems required in ODFs and POCPIAs
5. Consideration to be given when selecting effective utilization methods to encourage private organizations to fully exert their originality and ingenuity
6. Review in five years after the full enforcement of the Act

## **Chapter 1 Matters Concerning the Significance and Goals of the Utilization of Funds Related to Dormant Deposits**

### **1. Significance of Utilizing Funds Related to Dormant Deposits in Public Interest Activities by the Private Sector**

- After making the utmost efforts to pay back deposits to relevant depositors in light of the fact that the funds are raised from deposits under the Act, the remaining amount is to be utilized for the purpose of promoting public interest activities by the public sector.
- The utilization of funds related to dormant deposits is expected to produce benefits equivalent to those brought about by banks and other financial institutions through loans to expand private project as well as benefits equivalent to those brought about by the administration to promote public welfare, thereby generating ripple effects broadly over the society as a whole.

### **2. Goals of the Utilization of Funds Related to Dormant Deposits**

- (i) Solution of social problems through operations utilizing funds related to dormant deposits
- (ii) Development of an autonomous and sustainable ecosystem for solving social problems in the future

#### **[Concept for commencing this scheme]**

- At the initial stage of this scheme, a priority should be placed on the creation of best practices that would lead to solution of social problems and then the scales of respective public interest activities by the private sector should be expanded gradually in accordance with the achievements.
- Funds related to dormant deposits should also be utilized positively for the development of infrastructure that supports this scheme, from the perspective of promoting the mid-and-long term development of the autonomous and sustainable ecosystem for solving social problems.

## **Chapter 2 Basic Matters Concerning the Utilization of Funds Related to Dormant Deposits**

### **1. Basic Principles for the Utilization of Funds Related to Dormant Deposits**

- (1) Contribute to the interests of the general public; (2) Mutual assistance; (3) Sustainability; (4) Transparency and accountability; (5) Fairness; (6) Diversity; (7) Innovation; (8) Impact Maximization; and (9) Private initiative

### **2. Roles of the DUO, ODFs and POCPIAs**

- The DUO is not only expected to fulfill the roles provided for in the Act, such as the distribution and management of funds related to dormant deposits, but also needs to facilitate the construction of an autonomous and sustainable ecosystem for solving social problems, by making positive efforts for the creation and sharing of best practices in public interest activities and developing and expanding them.
- ODFs should fulfill their roles, not limited to those provided for in the Act, such as the provision of financial support, but to help POCPIAs, based on comprehensive support programs they design and

formulate, by employing innovative means to provide grants, loans or investments and also by offering other non-financial support such as management support and personnel support in a hands-on manner as needed. They are expected to play a central role in fostering independent players in public interest activities.

- POCPIAs are expected not only to solve social problems through their operations but also to make those problems visible and feed actual needs back to the DUO and ODFs with the aim of improving the content of this scheme.

### **Chapter 3 Matters Concerning the Operations for Promoting Public Interest Activities by the Private Sector Necessary for Achieving the Goals of the Utilization of Funds Related to Dormant Deposits**

#### **1. Operations of the DUO**

**(1) Fundamental Operations:** Operations specifically provided for in the Act

##### **(i) Selection of ODFs**

- The DUO should ascertain, analyze and determine "social problems that should be preferentially solved".

##### **(ii) Grants to ODFs**

- For the time being, the DUO is to only provide grants to ODFs to have them provide POCPIAs with grants, loans or investments. In this manner, priority should be placed on the establishment of this scheme through fostering of ODFs.

- The DUO continuously monitors ODFs for their operational progress for each targeted social problem, offers necessary cooperation, support and advice to those organizations, and checks and verifies evaluation of their outcomes. The DUO should comprehensively ascertain their achievement.

##### **(iii) Supervision of ODFs**

- The DUO supervises ODFs properly as necessary, such as collecting reports, conducting on-site inspections, or canceling the selection and requiring refund in the case of detecting any misconduct.

- If wrongful use of funds related to dormant deposits or any other problem is found for an ODF, the DUO investigates the causes of such misconduct and imposes strict disposition on the related parties, and establishes preventive measures and publicizes the content thereof.

##### **(iv) Acceptance of grants funded by dormant deposits**

- The DUO thoroughly discloses the information related to the use of funds related to dormant deposits.

- The estimated amount of residual budget is to be carried over to the next project year. For the time being, the above budget is to be allocated as funds for investment in light of the purport of Article 29, paragraph (1) of the Act.

##### **(v) Surveys and studies concerning the promotion of public interest activities by the**

**private sector**

**(vi) Enlightenment activities and public relations activities for the purpose of contributing to the promotion of public interest activities by the private sector:** Formulation and utilization of a symbol mark

**(vii) Proper evaluation of outcomes**

**(2) Additional Operations Expected for Operational Improvements**

Additional operations that the DUO is expected to conduct, after ensuring smooth execution of its fundamental operations, for the purpose of contributing to the proper implementation of its operations for promoting public interest activities by the private sector depending on the progress thereof

**(i) Development of the intellectual environment for analysis and related knowledge structuring**

• The DUO should establish a mechanism to collect information on the existing public interest activities by the private sector (progress of the activities and evaluation results) and analyze the information thus collected and accumulated concretely in a cross-sectional manner to enable POCPIAs to utilize such information as structured knowledge.

**(ii) Support for evaluation of outcomes (iii) On-the-job training (iv) International exchange**

**2. System of the DUO to Ensure Fair and Efficient Utilization of Funds Related to Dormant Deposits**

The DUO has the following systems and composition and carries out its duties so as not to hinder proper and fair operations for promoting public interest activities by the private sector, while maintaining a neutral position, which is difficult for other existing organizations that are operating for their own specific purposes.

**(1) Organizational Operation System**

• Officers and employees who have knowledge and skills sufficient to perform duties appropriately are to be deployed. The DUO should adopt a system that allows the utilization of external experts as necessary.

• The DUO should establish a specialized department that supervises ODFs to ensure fair utilization of funds related to dormant deposits and proper performance of their operations.

**(2) Composition of Officers and Employees**

• Accounting auditors should be appointed.

• The board of councilors should consist of people from wide-ranging fields, including the economic, financial, labor, academic and media arenas as well as the social sector.

• Officers and employees should be deployed in an effective and efficient manner. Due consideration should be required so that the staff are not dominantly from specific organizations or fields.

• Executive staff's careers should be disclosed after self-report to prevent conflicts of interest.

- Recruitment of former national government employees should be in compliance with the regulations on their reemployment based on the National Public Service Act.

### **(3) Governance and Compliance Systems**

- The DUO should establish a body to review its compliance measures (with the participation of external intellectuals) and a department for related affairs thereunder.
- Regulations and rules necessary for preventing misconduct and conflicts of interest should be prepared.
- A whistle-blowing system should be put in place and be enforced.

## **Chapter 4 Matters Concerning the Standards and Procedures for the Designation of the DUO**

- Public offering guidelines should be prepared based on this Basic Policy and be publicized.
- After deliberations at the Council, the Prime Minister selects one organization that is found to best fitted for the standards and designates it as the DUO.

## **Chapter 5 Matters Concerning the Standards and Procedures for the Approval of Project Plans Prepared by the DUO**

## **Chapter 6 Matters Concerning the Evaluation of the Outcomes of the Utilization of Funds Related to Dormant Deposits**

- "A social impact measurement" is to be conducted, covering all public interest activities that are carried out by the private sector with funds related to dormant deposits, thereby making the outcomes visible.
- The evaluation is to be based on "self-evaluation" of respective organizations. Then, the Council for Utilization of Dormant Deposits checks and verifies the validity and objectivity of the evaluation report prepared by the DUO, the DUO checks and verifies the validity and objectivity of the evaluation report prepared respectively by ODFs, and ODFs check and verify the validity and objectivity of the evaluation report prepared respectively by POCPIAs.
- In addition to periodically receiving reports from the DUO on the progress of its operations for promoting public interest activities by the private sector, the Council checks and verifies the comprehensive evaluation of this scheme by the DUO and makes recommendations to the Prime Minister when necessary.

## **Chapter 7 Other Matters Necessary for the Utilization of Funds Related to Dormant Deposits**

### **1. Cost Coverage for the Utilization of Funds Related to Dormant Deposits**

- Funds related to dormant deposits should preferably cover expenses that have generally been

uncovered by conventional administrative subsidies within the scope found reasonably necessary to achieve the goals respectively publicized in advance. In that case, the levels of personnel cost for the relevant grants, loans or investments, in particular, should be thoroughly disclosed to obtain understanding of the general public and residents.

## **2. Matters to be Considered by ODFs When Selecting POCPIAs by Way of Public Offering**

- Upon selecting POCPIAs, their plans relating to public interest activities, implementation system, and governance and compliance systems should be examined.
- Organizations that carry out public interest activities in collaboration with relevant entities or activities found highly innovative while exerting their originality and ingenuity are to be selected preferentially.

## **3. Supervision of POCPIAs by ODFs**

- ODFs should supervise POCPIAs properly as needed, in a similar manner as the DUO.

## **4. Governance and Compliance Systems required in ODFs and POCPIAs**

- ODFs and POCPIAs should organize the structures in accordance with the governance and compliance systems of the DUO and take measures as required.

## **5. Consideration to be Given when Selecting Effective Utilization Methods to Encourage Private Organizations to Fully Exert Their Originality and Ingenuity**

- It is necessary to ensure that the DUO and ODFs can develop and select diverse fund offering methods flexibly depending on the circumstances of the moment.

## **6. Review in Five Years after the Full Enforcement of the Act**

- Based on Article 9 of the Supplementary Provisions of the Act and supplementary resolutions of both houses of the Diet, this scheme is to be reviewed broadly in five years (on January 1, 2023) from January 1, 2018, on which the provisions of the Act come into effect in full. All parties related to this scheme should keep this in mind and take necessary measures.