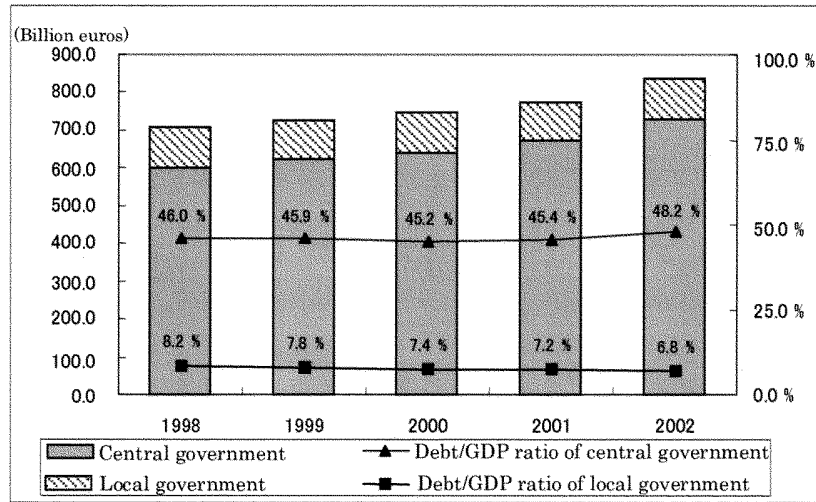


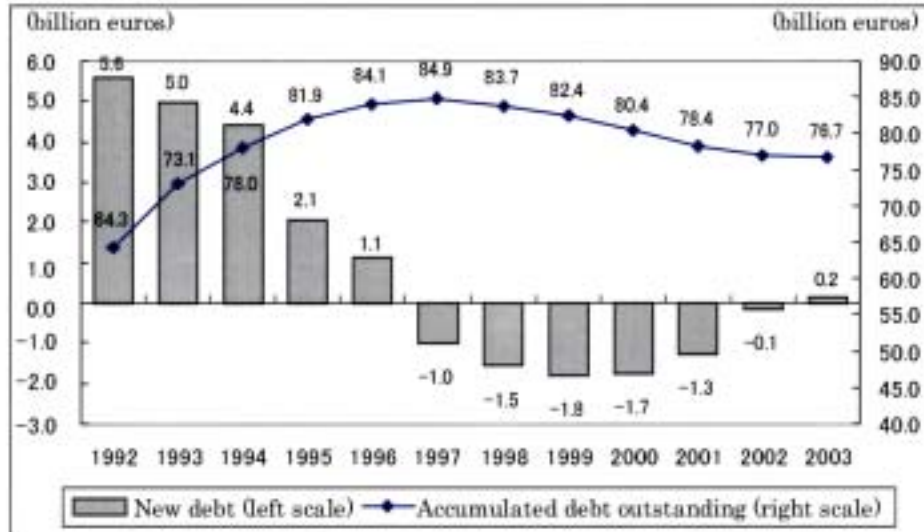
Figure IV – 1  
 The Trend of Outstanding Debt of the Central and Local Governments of France and the Debt/GDP Ratio



Source) DGCL, "Les Collectivités locales en chiffres"

Figure IV – 2

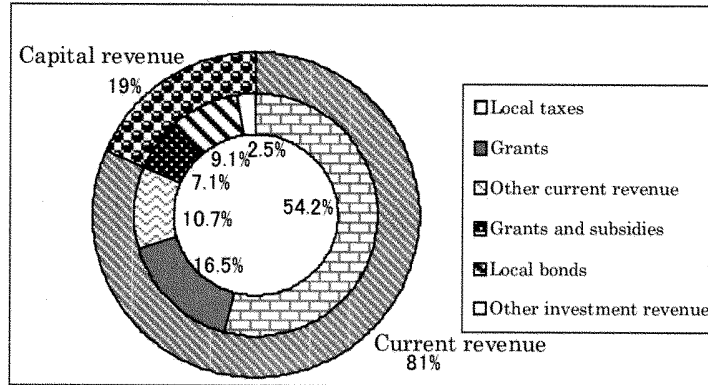
Trend of Net Borrowing and Outstanding Debt of Subnational Entities



Note) Figures for 2003 is outlook

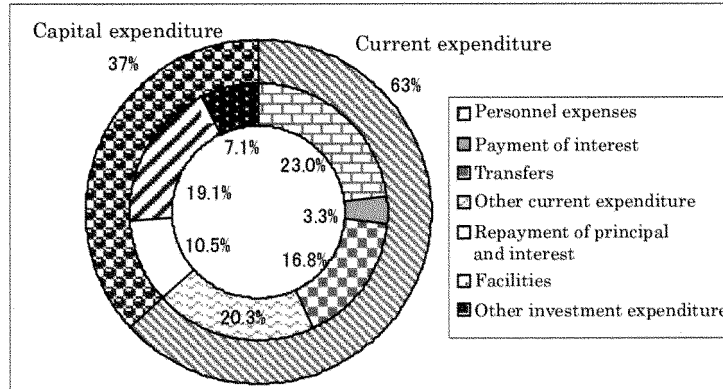
Source) DGCL, "Les Collectivités locales en chiffres"

Figure IV – 3  
 The Structure of Revenue of Subnational Entities



Source) DGCL, (2004) "Les Collectivités locales en chiffres"

Figure IV – 4  
 The Structure of Expenditure of Subnational Entities



Source) DGCL, (2004) "Les Collectivités locales en chiffres"

Figure IV – 5  
 The Relationship between Public Bond Expenses  
 and Accounting Sectors in France

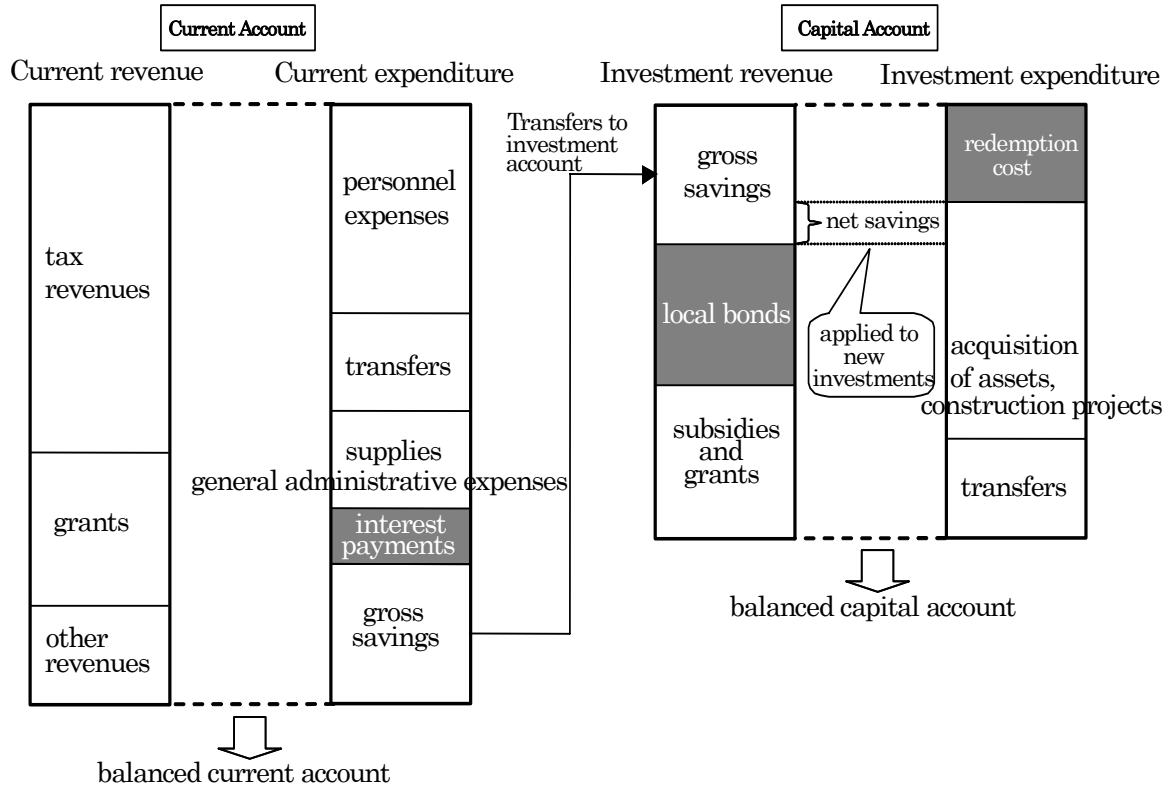


Figure IV – 6

An Image of the Relationship between Actors in the Local Bond System

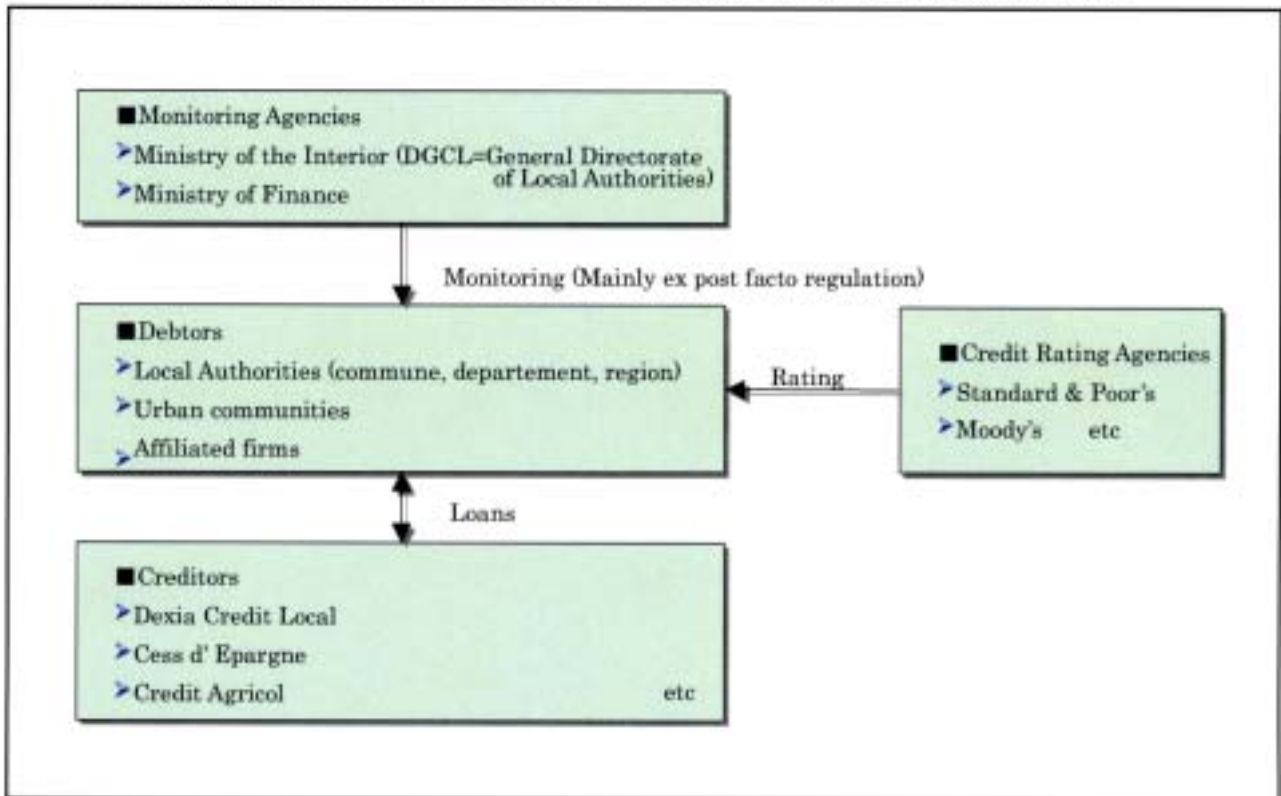
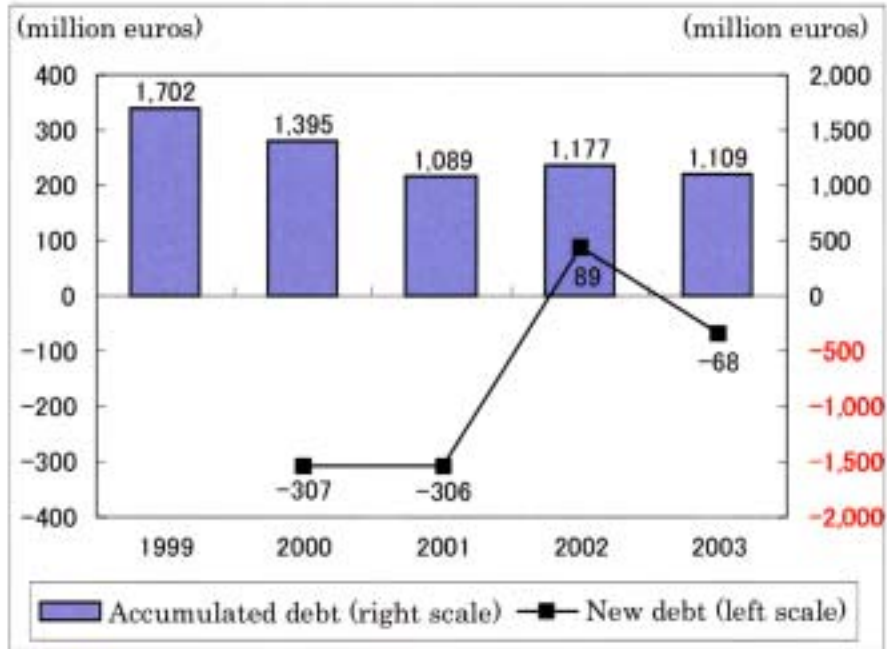


Figure IV – 7  
Debt Status of the City of Paris



Source) City of Paris (2003) "Rapport financier"

Figure IV – 8  
 Transformation of Financial Institutions for Subnational Entities  
 (CDC and CLF)

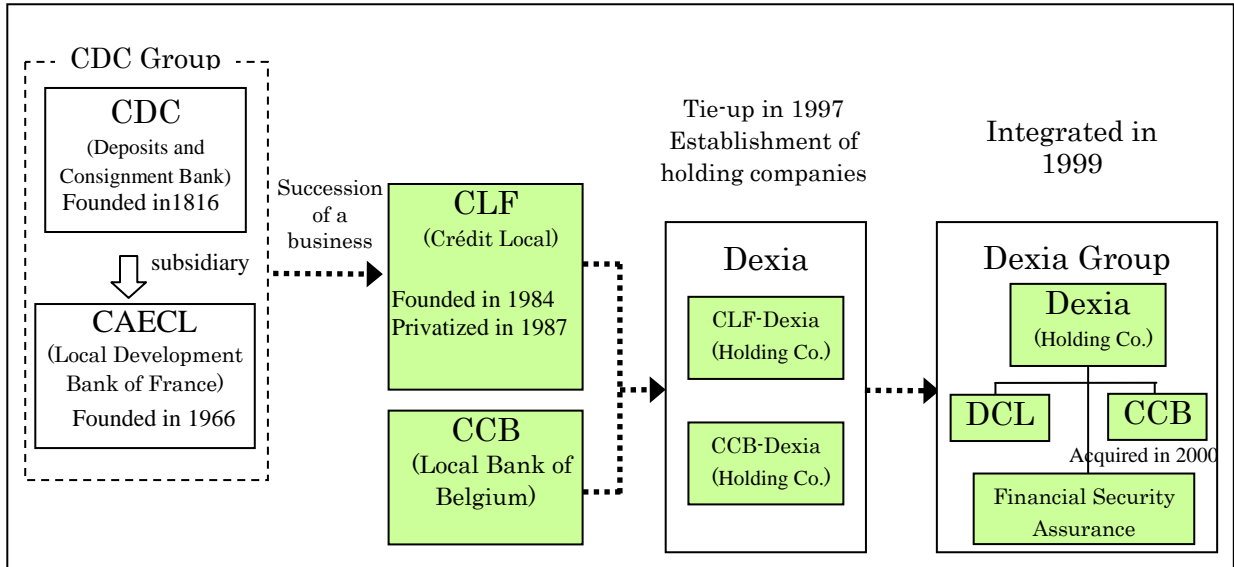




Figure VI – 1

The Changes in Local Bond Management of Industrialized Countries

Japan	1970s	Today		
	<ul style="list-style-type: none"> <li>• Evolution of administrative control approach</li> <li>• Partial easing of controls</li> </ul> <p>• Administrative controls through Local Bond Plan, Local Bond Permit System, etc</p> <p>• 2006: from Permit System to System of Consultation ⇒ moves towards easing of administrative controls</p>			
<ul style="list-style-type: none"> <li>• Local bond issues were strictly controlled by the central government through the Local Bond Permit System and the Local Bond Plan. Since the 1990s, outstanding local debt continues at a scale of over 200 trillion yens.</li> <li>• From FY2006, from the perspective of decentralization, the Local Bond Permit System will be shifted to a System of Consultation, in a move to partially ease controls.</li> </ul>				
US	1920s	1970s	Today	
	<ul style="list-style-type: none"> <li>• Evolution of the market discipline approach</li> <li>• Provision of rules to complement market discipline</li> </ul> <p>• 1920s: Ratings on municipalities begins</p> <p>• 1930s: Debt adjustment for municipalities is provided in the Federal Bankruptcy Code</p> <p>investor class</p> <p>• Expansion of publicly-offered bonds (Growth of</p> <p>• 1970s: Establishment of MSRB rules and GFOA guidelines for disclosure</p>			
<ul style="list-style-type: none"> <li>• Rating of municipalities already existed in the 1920s; rules and institutions for municipal bankruptcy in the 1930s.</li> <li>• Upon entering the 1970s, public offerings expanded, and rules to complement market mechanisms were established one after another by organizations such as MSRB and GFOA.</li> </ul>				
France	1920s	1980s	late 1990s	Today
	<ul style="list-style-type: none"> <li>• From administrative controls to liberalization of local borrowings</li> <li>• Fiscal rules</li> <li>• Strengthening of rules to complement market discipline</li> </ul> <p>• Strict administrative controls</p> <p>• Complete liberalization of the local borrowings</p> <p>• Balanced-budget rule</p> <p>• Bond issuance limited to investment purposes</p> <p>• Establishment of the Regional Audit Chamber</p> <p>• Monitoring by the central government</p>			
<ul style="list-style-type: none"> <li>• Local bond issues placed under strict central government controls in the past were completely liberalized with the decentralization of 1983. Triggered by the default of Angoulême City, which is imposed the balanced-budget rule, among others, further arrangements such as the establishment of the Regional Audit Chamber and a monitoring system of by the central government were developed.</li> <li>• French local debt has generally evolved at a small scale.</li> </ul>				
Sweden	1970s	2000	Today	
	<ul style="list-style-type: none"> <li>• Decentralization and powers to borrow freely</li> <li>• Mild fiscal rules</li> <li>• Strengthening of rules to complement market discipline</li> </ul> <p>• Fiscal autonomy of local governments and powers to borrow freely</p> <p>• Strict screening for loans by banks and spread of ratings</p> <p>• Mild fiscal rules (bond issues are limited to investment purposes, but there are no penalties)</p> <p>• Establishment of the fiscal balance rule</p>			
<ul style="list-style-type: none"> <li>• Sweden has been decentralized since the past and local governments have obtained borrowings freely. Although mild rules exist, for example limiting the bond issues to investment purposes, there are no penalties. Although the balanced-budget rule was stipulated in the Local Autonomy Law in 2000, it is mildly operated and the idea of market monitoring is mainstream.</li> </ul>				
Canada	1970s	mid 1990s	Today	
	<ul style="list-style-type: none"> <li>• Decentralization and powers to borrow freely</li> <li>• Self-imposed fiscal rules</li> </ul> <p>Fiscal autonomy of provincial governments and powers to borrow freely (reliance on market mechanisms)</p> <p>Growing number of provinces that set self-imposed fiscal balance rules</p>			
<ul style="list-style-type: none"> <li>• Canada's provinces have been borrowing freely since before. Fiscal discipline is left to market mechanisms and so there are few provinces that provided laws for local borrowings.</li> <li>• However, over the 1990s, debt increased and in mid-1990s each province stipulated self-imposed fiscal balance rules. Today, local government balance has been stabilized and debt is on a decreasing tendency.</li> </ul>				