

12.6 Supporting System of Pollution Control Measures

12.6.1 Governmental Supports for Commercial Pollution Control Investment

With the basic principles of the "polluter pays principle" (PPP), the government has provided various supportive measures such as public, long-term, and low-interest funding, favorable tax measures, technical guidance and technical development to promote pollution reduction and emission. The details are as follows.

(1) Funding and Technical Support

The Japan Environment Public Corporation (formerly called the Pollution Control Service Corporation) was established first as a professional organization for the provision of long-term and low-interest funding and technical support. This organization undertakes the construction and transfer of new pollution prevent facilities like green buffer zones and facilities necessary to relocate factories of small and medium-sized enterprises which cause pollution, and it also implements funding programs to provide enterprises with the funds to establish industrial pollution control facilities. Additional systems to finance the creation of pollution control facilities have also been established within the public organizations which have been providing the business funds and equipment investments.

Local government have inaugurated financing systems to compensate for private financial institution to provide funds for pollution control facilities to be established in regional small and medium enterprises. This system fully met the roles of the local government charge of pollution control regulations and has produced great results.

Compared to the private financial institutions' equipment investment funds, these funds offer cheaper and more remunerative terms, with longer term of redemption and lower rates of interest on the level of only 1-2 percent than private funds.

(2) Favorable Tax Measures For Pollution Control Measures Expenditures

In order to lighten the burden of pollution control measures expenditures on the management of enterprises and promote pollution control measures, favorable national and local tax measures have been established, such as tax reductions and tax exemptions for the purchasing land necessary to construct pollution control facilities.

(a) National Tax

- ① Special redemption system for specified pollution control-related facilities
- ② Tax exemption on reserve funds to promote the use of recycled resources
- ③ Life period curtailment measures for pollution control facilities
- ④ Specific examples of taxation when purchasing specified assets

(b) Local Tax

- ① Tax exemption from fixed asset taxes
- ② Tax exemption from special land taxes
- ③ Specific examples of business taxes

A favorable tax system has also been set up to help enterprises when they move from areas densely populated by factories into the suburbs.

12.6.2 Effects of Supporting Measures

Japanese enterprises have a very low rate of self-financing and are in an extremely difficult position to invest in unproductive pollution control. Private financial institutions are also unwilling to provide the funds and invest in high risk, low production facilities like pollution control facilities.

Public funds are structured to stimulate the interest of enterprises in investing on their own with the public financing toward their high-risk pollution control facilities and those production facilities with low-pollution and pollution prevention functions. The private financial institutions saw the results of this arrangement and began to act positively as well, and as a result, private funds have come to account for 60-70% of the gross total of investments by enterprises in pollution control.

From these fact, we can see the role and effects of supporting measures in pollution control, as follows:

- (1) Have been effective in inducing private funding of high-risk pollution control facilities.
- (2) Have arisen the interests of enterprises in pollution control measures by both modernizing and rationalizing their production facilities and in implementing pollution control measures at the same time. Technical guidance and information provision on proper pollution control, linked with regulations, was also conducted.

Fig.12.6.1 shows a transition of pollution control investments and Public Funds.

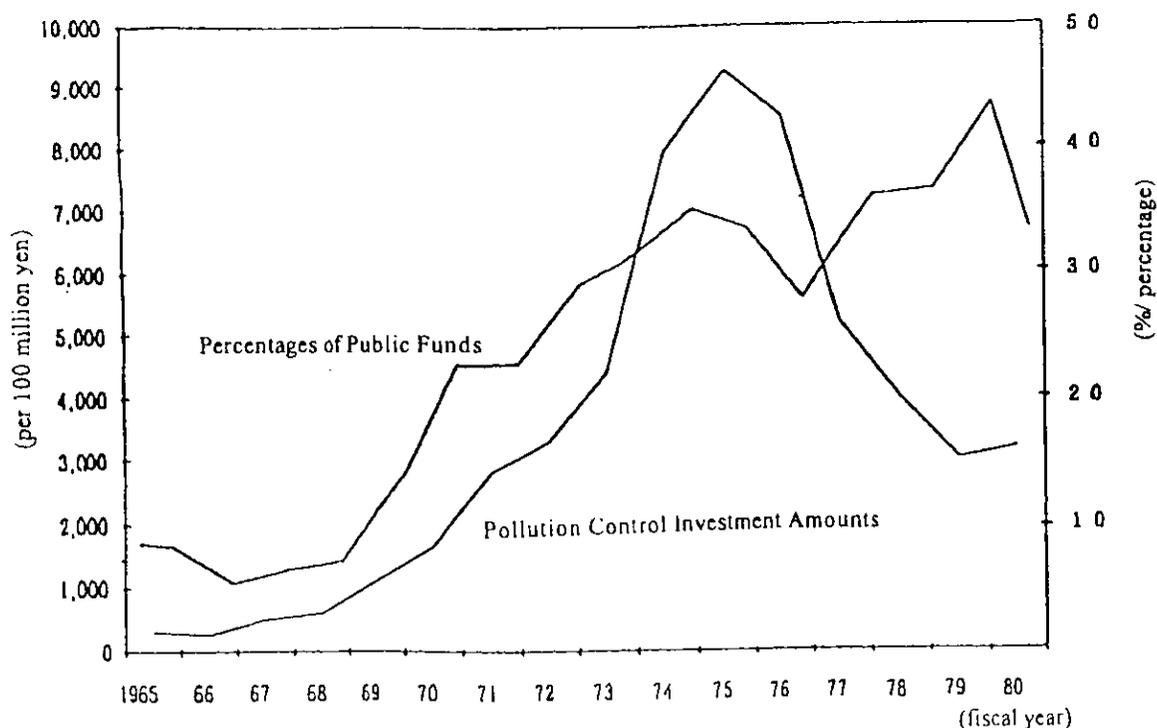


Fig.12.6.1 Transition of Pollution Control Investment and Public Funds

Investment on pollution control facilities also have brought increased demand in the industries which supply these facilities. In other words, pollution control investment has both important factors of reducing and increasing the substantial gross national products.

From these experiences, a supporting system in the environmental cooperation with developing countries are proposed as follows.

- ① A structure for inducing private funding is essential. In Japan's case, almost all public funds are furnished from financial investment and loan. These are funds which cannot be seen in other countries, and developed countries must rely on private institutions for necessary funds.
- ② In addition to providing the pollution control technology which Japan possesses, support to foster environmental industries is essential in order to curtail reduction of the gross national product due to pollution control investments.

One example would be to introduce a credit supplementing system into the two-step loan method for environmental cooperation. This is a structure whereby special pollution control organizations, which have technical guidance and inspection, information provision and credit guarantee functions, are established so that private financial institutions can then provide funds based on the credit guarantees of these organizations.

Fig. 12.6.2 shows pollution control cooperation based on the credit guarantee function.

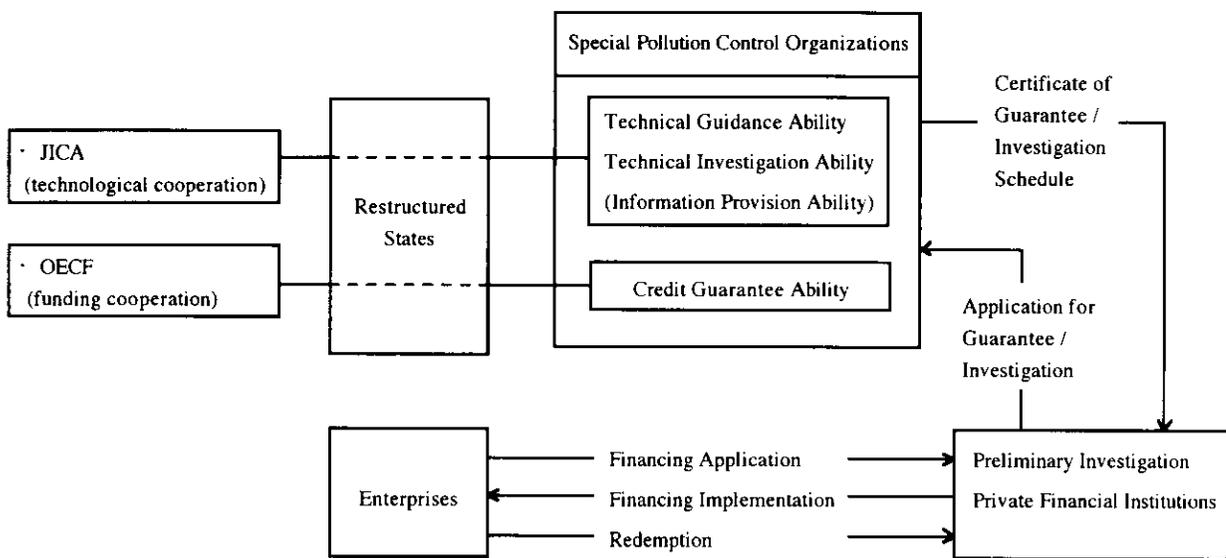


Fig. 12.6.2 Pollution Measures Cooperation in the Form of the Credit Guarantee Function