



TOKYO
METROPOLITAN
GOVERNMENT

Management policies of public-private partnership funds

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Introduction

- Metropolitan government implements public-private partnership fund projects to solve social issues through the power of finance.
- As society becomes more complex and diversified, in the status that the fields handled by Metropolitan government fund become more diverse, in order to utilize the fund business appropriately and effectively in line with the policy objectives, it is important that the relevant departments run and manage the funds from a unified perspective.
- Therefore, Metropolitan government formulates policies on the management of funds invested by Metropolitan government and each relevant department runs and manages the funds based on the policies, while receiving opinions from outside experts as appropriate, by using the fund business more appropriately and effectively and Metropolitan government realizes its policy objectives.

1 Objectives and target scope of public-private partnership fund projects

- Public-private partnership fund by TMG draws out private fund and know-how by making use of the fund of TMG as the catalyst, through creation of new fund flow, aiming at leading to realization of purpose of policies, and will work on forming and managing the fund along this concept.
- Furthermore, through fund business, by promoting development of ecosystem to support supply of risk money to a new field, we will aim at realization of the market that independently functions mainly led by the private sectors.
- Based on the above-mentioned, the area as the investment target of the fund shall be basically “the field that is important in view of the policy, but is at the dawn as a business, with high level of uncertainty with regard to profits at present and with insufficient fund supply from the private sectors.”

2 Results evaluation of public-private partnership funds

Based on the aim of realizing policy objectives by using Metropolitan government funds as the priming to draw private funds and know-how to create new flows of funds etc., in the evaluation, we emphasis on “the achievement of policy objectives (including the pump priming effect)” and appropriately evaluate “profitability”.

Specific evaluation items are as follows.

(1) Evaluation of policy objectives

① Achievement status of policy objectives

- The progress toward the achievement of policy objectives shall be periodically checked and evaluated by observation of the operational status.

② Pump priming effect

- Based on the basic idea that the amount of capital invested by Metropolitan government should not exceed the total amount of private investment etc., the total amount of private investment etc. in the fund to which Metropolitan invests is evaluated as the pump priming effect of Metropolitan government investment.

However, in the case of fund of funds, the total amount of private investment etc. includes private investment etc. in sub-fund.

(2) Evaluation of profitability

- Metropolitan government invests in a field where there is a high degree of uncertainty in terms of profits at present, as the business is in its infancy, but since the funds are funded by public funds, Metropolitan government aims to recover funds exceeding the amount invested by Metropolitan government while keeping the same perspective as impact investors who aim to achieve both financial and social returns.
- During the operation period of the fund, the business status of the investment destination is periodically checked and the profitability is evaluated when the liquidation of the fund is completed.

3 Announcement of the results of Public-private partnership funds

Since it is important to disseminate the results of the Fund in order to gain the understanding of Tokyo residences, the status of the achievement of the Fund policy objectives and the results of the Fund management (Fund size, number of investments, outline of investments, amount invested and recovered by Metropolitan government etc.) shall be publicized after the liquidation of Metropolitan government Public-private partnership funds, while giving due consideration to the contractual obligation of confidentiality.

4 Project Implementation System etc. of public-private partnership funds - Fundamental perspective -

[Basic views]

Under “Limited Partnership Act for Investment,” which serves as the main legal basis for Metropolitan government's public-private partnership fund, a General Partner (Hereinafter referred to as "GP"), the fund operator, has the authority to decide and execute the operations of the fund. Under these circumstances, it is necessary to bear in mind that Metropolitan government makes investments as a Limited Partner (Hereinafter referred to as "LP") in the Public-private partnership fund business and therefore there are certain restrictions on Metropolitan government's involvement in fund management.

On the other hand, since the funds are funded by public funds, Metropolitan government shall request GPs to obtain not only the rights that LPs normally have such as the settlement of funds and the reporting of investment status but also the rights necessary for proper monitoring as Metropolitan government business when concluding partnership agreements etc.

In addition, from the viewpoint of promoting business management more effectively, opinions from outside experts etc. shall be heard from before the formation of the fund until the completion of liquidation and utilized in the operation and management of the fund business.

Based on the above, the following matters shall be addressed as a basis in the running and management of Metropolitan government's fund business.

4 Project Implementation System etc. of public-private partnership funds - by item -

① Selection of fund management operators

- GPs - representatives of companies that applied through the public recruitment process - are screened by a committee that includes external experts and selected accordingly.
- Prior to the selection committee, a due diligence investigation by a third-party organization such as fund research organizations shall be conducted on applicant companies and the selection committee shall conduct the screening based on the results of the investigation.
- In selecting management operators, we require the development of a governance system to ensure compliance such as the prevention of conflicts of interest and the prevention of harassment against GPs and executives and employees of the investee.

② Investment decision process

- Metropolitan government shall participate as an observer in the investment decision-making bodies (investment committees etc.) of each fund, observation and monitoring the investment decision-making process and express opinions appropriately.

③ Monitoring of Fund management status

- During the operation period of the fund, we shall actively communicate with the GPs and receive periodic reports from the GPs on the financial status of the fund and the status of the investee.
- Through external third party organizations, we shall periodically investigate the status of fund management, exchange opinions with GPs on fund management etc. as necessary and express opinions appropriately.
- During the operation period, the opinions of experts shall be heard as necessary and monitoring etc. shall be conducted based on the opinions.

[Reference] Terms used in this document

Terms	Explanation
public-private partnership fund	A fund jointly invested by Metropolitan government and private companies based on Metropolitan government's measures.
ecosystem	A network in which companies, organizations, customers and partners create value through mutual influence and cooperation.
pump priming effect	To achieve greater investment and economic effects by drawing investment from private companies using Metropolitan government's investment as an opportunity.
fund of funds	A fund that invests in multiple funds.
sub-fund	A fund to which a Fund of Funds has invested.
impact investment	An investment activity that aims to achieve both financial and social returns.
General Partner (GP)	Partners in charge of the management and run of funds (investment limited partnership) etc. GPs have unlimited liability because they are fully responsible for the liabilities and losses of the fund with personal or corporate assets.
Limited Partner (LP)	Partners of funds (investment limited partnership) etc. who are responsible within the limit of the amount invested. LPs, in principle, are not involved in the management of the fund and are not responsible for exceeding the amount invested.
due diligence	The process of thoroughly researching and analyzing the value and risks of a target company or asset before making important decisions such as an acquisition or investment. This improves the accuracy of investment decisions and minimizes potential risks.
investment committee	A committee that makes important decisions and policies regarding asset management in a fund. Committee members, usually consisting of investment experts and other stakeholders, consult on, advise on, and make decisions on investment strategies, asset allocation policies, risk management, and the selection and evaluation of investment targets.