

The Economic and Fiscal Revitalization Action Program:
Reform with Innovation Utilizing “Visualization” and “Wise Spending”

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Council on Economic and Fiscal Policy

This program was established at the Council on Economy and Fiscal Policy, based on “The Plan to Advance Economic and Fiscal Revitalization,”¹ through discussion at the Committee for Promoting the Integrated Economic and Fiscal Reforms.² It specifies reform directions for major areas while clarifying the timeline of the reform and defining major indicators³ needed to manage progress and evaluate them, in other words, formulating the reform process and KPI, with the objective of steadily advancing the reform setting the target and benchmarks⁴ defined in the plan. We believe that these efforts will create a virtuous cycle of economic revitalization and fiscal consolidation, and contribute to realizing the Dynamic Engagement of All Citizens.

1. Overview of “Reform with Innovation”⁵

[1] Advancement of Dynamic Reform

(“Visualization” as the driving force in the reform)

Dynamism in the reform is indispensable to the current Japanese economy to completely overcome deflation. It requires continuous efforts for bold reform. A scheme that enables us to achieve that bold reform is “visualization.”

This program has the aim of “visualization” of both of inputs and outputs, that is, how money is spent and what benefit it brings about. Finance and policy effects are difficult to determine, but by showing the amount of money per person by a daily-life organizational unit, such as prefecture, municipality or

¹ Chapter 3 of “Basic Policy on Economic and Fiscal Management and Reform 2015” (decided by the Cabinet on June 30, 2015) (hereinafter, “Basic Policy 2015”). Hereinafter, “the plan.”

² An expert panel investigation committee established under the Council on Economic and Fiscal Policy in order to advance the plan, based on the decision by the Council on June 30, 2015.

³ Key Performance Indicators, hereinafter, “KPI.”

⁴ The target means to achieve a primary surplus of the central and local governments by FY2020 while advancing economic revitalization, thereafter seek to steadily reduce the public debt to GDP ratio. Benchmarks, as criteria of the reform efforts in the Intensive Reform Period (FY2016 - 2018), include achieving approximately 1% of the primary deficit to GDP ratio in FY2018, and criteria of general expenditures of the central government and local governments in the plan.

⁵ For the basic concept of “reform with innovation,” see “description of the terms” at the end of the document.

insurer, and comparing those units with others, citizens will be able to see the position of the municipality or organization they belong to regarding its operational status in Japan.

By analyzing how the money is spent per person and its policy effects by municipality and organization, everyone can easily see who spends it wisely and who does not under similar conditions. The analysis has just started, but it has already revealed that there are many disparities in a few areas regarding public expenditure per person and its effects.

Why this happens has not been investigated very much in the past. The Committee for Promoting the Integrated Economic and Fiscal Reforms will analyze these disparities and their causes within the intensive reform period, and evaluate if spending is done wisely. Organizations which do not spend money wisely are expected to learn from “Top Runners” and try to promote reforms while evaluating their own efforts by checking whether they are moving closer to wise spending.

At the same time, we will aim at “simplification” which can explain disparities of input/output per municipality or organization in a format easy for citizens to understand. Disparity in inputs is directly linked to each citizen’s burden, disparity in outputs is to their QOL (Quality Of Life), and showing these disparities in simple data will surely help increase the demand for wise spending, which will assist in the reform. We will attempt this new type of bottom-up reform advancement.

(Integrated economic and fiscal revitalization realized by wise spending)

Each area’s efforts to cope with structural issues such as a decline in total population, the declining birthrate and aging population, the extreme concentration of population in Tokyo, declining regions and aging infrastructure, are indispensable to future growth and development. We should clearly deliver the message that we will resolutely deal with these issues.

In other words, we should focus on necessary expenditures with high policy effects. Expenditures that exceed the citizens’ paying capacity are not sustainable. The important thing is to allocate well thought-out expenditures with a good balance between strength and constraint, and to keep thinking positively about our ability to drastically rebuild the economic and fiscal situation in the midst of great structural changes.

With the decreasing population, various businesses will need to consider outsourcing, which will help developing new industries delivering services to various offices. With public services, drastically expanding proper outsourcing will curb public expenditures. Acceleration of the aging society will lead to expanding healthcare/long-term care markets and promotion of health. Extension of healthy life expectancy, disease prevention, and prevention of aggregation will lead to reducing healthcare costs, boosting productivity and stimulating further private investment, and we need to strengthen efforts in those areas. In an aging society with a declining birthrate and decreasing population, it is a common policy among advanced countries maintaining sound economies and fiscal measures to employ more women and the elderly, realize diverse working styles, and organize environments for them, areas in which we must make greater efforts. The deterioration of equipment and assets can

generate business opportunities for maintenance businesses. Diversification and advancement of maintenance methods will suppress the total costs of maintenance and repair.

It is important to follow through on wise spending such as switching to new methods or personnel, promoting new actors in the outcome, focusing on policies with high returns as stated above, and maintain a clear vision aiming at economic and fiscal revitalization. Steadily executing the plan as a comprehensive strategy of wise spending is a key for us to achieve our target.

This program is formulated especially focusing on “visualization” and integrated economic and fiscal revitalization, based on three reforms stated in the plan (industrialization in public services, incentive reform, and innovation in public services).

(Commitments over multiple years)

Regarding items accompanying budgetary measures and system revisions, we had never worked on creating details of plans and reform benchmarks to be used past the next fiscal year. We think, however, that we were able to achieve it for all of the 80 major items of reform through lively discussions with ministries and agencies in charge and fiscal authorities, and among the committee.

Through these discussions, we have learned that it is sometimes difficult to commit to keeping medium-term policies in one direction over multiple years only with the responsibility and judgment on the part of ministries and agencies in charge. It is indispensable to conduct exhaustive discussions among ministries and agencies, fiscal authorities and expert panel investigation committees under the Council on Economic and Fiscal Policy that formulates the basic policy. We have also often acquired constructive views by regarding matters across areas without sticking to discussions on each individual issue. We should definitely retain this working style and process. We will steadily advance the reform focusing on medium-term targets while properly evaluating the reform progress with the appropriate timing.

As for KPI, we have chosen approximately 180 items as major reform items and have systematized them, considering relationships between indicators. The basic premise is that the reform will change people’s behavior, which will generate new growth capabilities and reduce public expenditures. We will build an effective PDCA cycle in the medium-term that goes beyond simply checking the progress of relevant policies every year.

[2] Strong start of the first year of the reform (FY2016)

In FY2016, the first year of the plan, we will accelerate the efforts for “overcoming deflation and revitalizing the economy” and steadily promote reforming expenditure measures by properly applying this program to budgeting.

In the social security area, we will advance the reform related to remuneration for medical treatment in terms of drug prices and dispensing in the FY2016 medical fee revision, promote the use of generic

drugs by promoting quality assurance measures, and promote the nationwide deployment of a favorable model related to data health⁶ utilizing private business operators. In the social infrastructure improvement area, aiming to actively introduce PPP⁷/PFI⁸ to the maintenance and operation of public facilities, the national government and local governments with populations of 200,000 or more will establish systems to prioritize adopting PPP/PFI methods based on regional situations within FY2016. In the areas of education, science, and technology, we will emphasize evidence of educational effects, expand the related budget from FY2016 and start experimental studies on education policy. In the area of local government administration and finance, from FY2016 we will start reflecting the cost levels attained by expenditure-efficient entities in calculations of standard financial requirements for local allocation tax for the purpose of accelerating the streamlining of expenditure (the application is called as “Top Runner method”).

In addition to these efforts in key areas, we will strengthen the existing efforts of the Abe Cabinet for total expenditures and thoroughly review them without making any exceptions, and all ministries will share the spirit of reform and accelerate the reforms with determination.

As for “visualization”, in that it is a fundamental infrastructure through which citizens, private sector organizations, and the government share an understanding of issues and the necessity for and direction of reforms, all ministries together with the Cabinet Office will focus on “visualization” of regional disparities including cost-effectiveness and administration costs.

⁶ A business needed to maintain/promote health of insurance subscribers, run by medical insurers effectively and efficiently according to the PDCA cycle, utilizing data of medical payment invoices and designated medical checkups.

⁷ Public Private Partnership: Effective use of fiscal funds and more efficient administration, utilizing originality and innovation of private sectors through collaboration between the government and private sectors in the construction, maintenance, and operation of public facilities, etc. PFI is one type of PPP.

⁸ Private Finance Initiative: A method of constructing, maintaining, and operating public facilities, etc., using the funds, management skills, and technical skills of private sectors, based on “Act on Promotion of Private Finance Initiative” (Act No. 117 of 1999).

2. An Ideal Model of the Reform

[1] Full implementation and expansion of “visualization” (a key to changes in people’s awareness and behavior)

The objective of “visualization” is to broadly inform citizens of the necessity of the reforms to resolve current issues.

It is essential to facilitate awareness of issues and changes in behaviors, not taking demands for public services as given, and promote changes within supply and demand structures. In establishing objectives, we need to realize “visualization” which enables us to accomplish three things: (1) perceive and compare differences among related organizations and regions; (2) perceive the existence and degree of administrative operational issues or achievements; and, (3) perceive where there are issues related to the reform. Expanding “visualization” will increase public understanding of and confidence in the reform.

The specific images of “visualization” for the time being are as follows:

To make comparisons between municipalities and perceive the differences among them, we will “visualize” how the economic and fiscal status differs for each municipality, such as regional differences in major life-related indicators, including health and welfare, education, security (QOL and amenities), relationship with expenditure trends, and regional differences in the use of general revenues. Considerable regional disparities and regional trends have been identified by experimental analysis, and we expect that advancement of “visualization” will certainly change people’s awareness and behaviors.

To make the existence and the degree of administrative issues clear, we will undertake “visualization” such as that which serves to clarify innovation in public services, industrialization in public services, expansion of incentive reforms and models, and analyses of relationships with economic and financial trends. The “visualization” of advanced models will motivate people to think, “We can do the same; let’s try it.”

To clarify where issues exist, we will “visualize” characteristics of or trends in regional differences in healthcare and long-term care costs, characteristics of or trends in differences in general affairs administrative costs and public sector management, and characteristics of regions with relatively sound finances and their applicability to other regions. Highly accurate analyses have already been performed for regional disparities in healthcare costs, and we expect that similar analyses will be performed in other areas and create ideas to mitigate regional disparities.

(From “visualize” to “understand” and “change”)

Each ministry has been preparing for “visualization” and we have to be careful not to merely disclose various raw data and information. We have to “visualize” data and information to enable non-experts to understand, by standardizing and simplifying them. In the intensive reform period, the Cabinet

Office will take the initiative in the analysis and fact-finding related to “visualization,” creating data that can be the basis of wise spending and expansion of awareness of and motivation toward the reform.

One important thing is to fully implement and expand “visualization” which helps people become aware of matters and “understand” the necessity of changing the current situation, and try to “change” based on belief in the reform. Bearing this in mind, the Committee for Promoting the Integrated Economic and Fiscal Reforms will check and evaluate the progress of “visualization.”

[2] Effects of the Reform

In the plan, the government aims to achieve economic growth exceeding real 2% and nominal 3%, a primary surplus of the central and local governments by FY2020, and approximately 1% of the primary deficit to GDP ratio in FY2018. According to the “Economic and Fiscal Projections for Medium and Long Term”⁹ (Economic Revitalization Case) report conducted by the Cabinet Office, a fiscal balance improvement of approximately 4 trillion yen will be needed by FY2018 and 6.2 trillion yen by FY2020, and it is expected that Integrated Economic and Fiscal Reforms will bring about effects leading to such improvement.

Through discussions, we were able to draw up a road map for structural reform leading to economic and fiscal revitalization. It includes reform in the area of social security such as healthcare and long-term care benefit optimization, the active introduction of various PPP/PFI, rationalization and efficiency in expenditures by IT integration and operational reform, and the possibility of revealing potential demands and encouraging new supplies with increased productivity through industrialization in public services. It is important that spread of the reform will change people’s behavior and as a result, rationalization/efficiency in expenditures and the creation of new services will be realized, which will become a solid driving force behind economic and fiscal revitalization.

In the reform, we are trying to achieve both economic and fiscal revitalization by means of a bottom-up approach. Therefore, it is not suitable to make an a priori assumption of benchmarks with ideal degrees of effects per area and by reform item.

On the other hand, it is crucial to build an effective PDCA cycle and make reform effects steadily occur. To do that, we need to continue checking and evaluating whether and to what degree the reform brings about the achievements we are aiming at. From the start of the first year of the plan, the Committee for Promoting the Integrated Economic and Fiscal Reforms will drive the PDCA cycle while disclosing possible impacts with a certain range of buffers that will accompany reform effects, and periodically reviewing them.

⁹ “Economic and Fiscal Projections for Medium and Long Term” (submitted to Council on Economic and Fiscal Policy on July 22, 2015).

3. Reform Efforts in Key Areas

There are a variety of issues regarding public services including welfare, education and infrastructure within each area. Each of the following sections specifies the reform advancement plans and clearly defines what timeline should be applied to each from such viewpoints as “Does it meet citizens’ needs?” “Is the current supply too much?” and “Are there any more reasonable or simpler methods?” They are specified under the consistent policy of thoroughly reviewing details regarding optimum demand and supply for each public service by considering primarily three reforms stated in the plan (industrialization in public services, incentive reform, and innovation in public services).

[1] Social Security Area

[Key Points]

- After proceeding to thorough “visualization” of the facts of healthcare and long-term care benefits, we will analyze inputs and regional disparities and advance measures to correct them
 - Activate incentive/disincentive system
 - Estimate “healthcare plus long-term care” cost per person by prefecture/municipality, and visualize it in various aspects
- For the promotion of clinical specialization and collaboration, we will move up formulation of the regional healthcare vision by the end of FY2016 and take actions for improvements in healthcare delivery systems. By formulating a medical cost optimization plan, we will take the initiative in the moderation.
- In order to promote disease prevention, prevention of aggravation, long-term care prevention, use of generic drugs and proper receiving of treatment, we will establish a framework with incentives to encourage both individuals and insurers to make efforts (insurer support system by National Health Insurance, a rule for increasing or reducing the amount of late-stage elderly support coverage, healthcare points, etc.).
- We will clearly define the planning and execution schedule and the reform direction, regarding fairness in insurance contributions based on ability to pay and optimization of benefits.
- Regarding reforms related to remuneration for medical treatment in terms of drug prices and dispensing and reforms related to pharmaceuticals, we will clarify actions needed for the FY2016 revision of remunerations for medical treatment, etc.

With regard to the reform process related to the area of social security, we will give consideration without having any predictions in order to improve the effectiveness of the reform, after clarifying the reform direction and setting clear timelines for all the items listed in the plan, in the light of its fundamental vision.

Policies and timelines for key areas are as follows:

(1) Optimization of the healthcare and long-term care delivery systems, incentive reform, and industrialization in public services

(Policy and timeline)

Through efficient service provision of healthcare and long-term care and changes in the behavior of citizens, we aim at optimizing healthcare and long-term care costs without degrading service quality and standards. By thorough “visualization” of the facts surrounding healthcare and long-term care benefits and analyses of inputs and regional disparities, we will widely disclose unreasonable regional disparities and inefficiency in service provision to citizens, prefectures, municipalities, and insurers and share the issues with them, and promote efforts to remedy them with the participation of all citizens.

(a) With regard to the delivery systems of healthcare, for the promotion of clinical specialization and collaboration, we will accelerate the formulation of a regional healthcare vision that defines medical demand and required beds per four functions (advanced acute phase, acute phase, recovery phase, chronic stage) as of 2025, in all prefectures by the end of FY2016, after conducting necessary data analyses and estimates. In addition, we will promote improvement of healthcare delivery systems by evaluating the progress in FY2017 and FY2018, aiming to achieve satisfactory progress by FY2020. We will take actions regarding remuneration for medical treatment in FY2016 revision, and further actions in FY2018, while discussing at related councils measures to utilize special cases of remuneration for medical treatment and the improvement of prefectural system and authorities. With those efforts, we will realize appropriate healthcare delivery systems with decreased regional disparities pertaining to long-stay beds. Additionally, we will discuss at related councils a shift to a platform that efficiently provides services including long-stay beds, and draw a conclusion by the end of 2016. We will take necessary measures (including a bill submission to the 2017 regular Diet session for items that require legal changes) based on the conclusions of those discussions.

(b) With regard to medical cost optimization, the government will “visualize” regional disparities of inpatient/outpatient medical cost using NDB¹⁰, and set indicators and targets for optimization within FY2015. The targets will be (1) for inpatient medical costs, the costs assuming that a regional healthcare vision has been realized, (2) for outpatient medical costs, a calculation formula of medical costs considering effects of medical cost optimization. Based on those targets, each prefecture will formulate a subsequent plan for medical cost optimization valid until FY2023, and we will promote efforts for medical cost optimization by evaluating the progress in FY2017 and FY2018, aiming to achieve satisfactory progress by FY2020.

¹⁰ National Data Base, a database on medical information such as medical fee invoices and designated health checkups. The Minister of Health, Labour and Welfare collects information regarding invoices for medical fees and dispensing fees (receipts information) and information regarding designated health checkups and specified health guidance from medical insurers, and stores and maintains them at NDB.

(c) We will advance efforts based on long-term care insurance business (support) plans and healthcare plans, and improve the infrastructure for long-term care needed to establish an integrated community care system¹¹ that can provide care even until the end of life in-house or at long-term care facilities.

(d) Regarding optimization of long-term care benefits, each insurer will make efforts for optimization after realizing the “visualization” and data analysis of regional disparities in certification rates of long-term care needs or long-term care costs per person. To proceed with further efforts, we will discuss at related councils enhancement of the PDCA cycle for long-term care service plans utilizing data analysis results, enhancement of insurer functions, and an institutional framework related to incentives given to optimization efforts by municipalities. We will draw a conclusion by the end of 2016 and take necessary measures (including a bill submission to the 2017 regular Diet session for items that require legal changes) based on that conclusion.

As to “visualization” and data analysis using NDB on regional disparities regarding inpatient/outpatient medical and long-term care costs, we will continue promoting it and adding indicators even after the plan formulation, and periodically disclose easy-to-understand information which will expand the reform with the participation of all citizens.

We will discuss at related councils fairness in payment on living related to healthcare and long-term care and an introduction of a fixed amount payment by outpatients with the aim of increasing treatment from family doctors. We will draw a conclusion by the end of 2016, and take necessary measures (including a bill submission to the 2017 regular Diet session for items that require legal changes) based on our conclusions.

Regarding incentive reform, we will establish a framework with incentives to encourage it among both individuals and insurers, with the aim of having all citizens make efforts to prevent diseases, especially lifestyle-related ones, prevent disease aggravation and long-term care, and to use generic drugs and properly receive treatments. To this end, we will define indicators that help promote insurers’ efforts to optimize healthcare costs (rate of generic drug use, efforts to prevent disease aggregation, double medication, etc.) within FY2015. We will start a weighted allocation of some of the special adjustment subsidies in National Health Insurance from FY2016. Starting from FY2018, we will fully implement with a good balance measures such as an insurer support system based on the progress of indicators and rules for increasing or reducing the amount of late-stage elderly support coverage. We will also review finance systems of National Health Insurance including the allocation

¹¹ A system that comprehensively provides healthcare, long-term care, preventative approaches in long-term care, housing, and living support services, so that people will be able to continue living in the manner to which they are accustomed until the last stage of their lives, even if they need intensive nursing care.

of subsidies addressing imbalances in the payment of medical expenses so that regional disparities in the NHI fee can be more accurately reflected. Such measures will help expand incentives/disincentives to insurers and municipalities according to the efforts they make. We will formulate guidelines within FY2015 to advance efforts to introduce an incentive provision system by insurers to promote individuals to prevent diseases, improve their health, and take medical checkups (healthcare point¹², any systems to support individuals' insurance payments).

Industrialization in public services is indispensable for Japan's future economic growth. We will take actions for the industrialization of public services, to deploy nationwide a good model of data health by insurers while utilizing private business operators, based on the eight statements adopted at the Japan Health Council to be achieved by 2020, and the direction of the "Platform for health promotion and prevention services." We will also promote healthcare and health promotion services by medical corporations, and advance measures to help medical professionals play more active roles in private health service businesses. In addition, as a promotional measure, we will develop a "Guidebook on Using Uninsured Services" (tentative name) within FY2015 that will contain cases and knowledge useful to initiate services not covered by long-term care insurance.

Additionally, we will clearly define the planning and execution schedule for measures utilizing the My Number system infrastructure.

(KPI)

We will "visualize" regional disparities such as medical treatment rates for major diseases, treatment days per person, and medical points per day, and use them for optimization of KPI in the medical area. We aim to achieve satisfactory progress by FY2020, against the necessary number of beds per medical function as of 2025 in regional healthcare visions and against the healthcare cost targets and indicators of healthcare cost optimization as of 2023 in a medical cost optimization plan. For that, we will check the progress on narrowing regional disparities of healthcare costs per person after being adjusted for age.

As for long-term care, we will "visualize" such regional disparities as long-term care costs, and check the progress in narrowing regional disparities in long-term care costs per person after being adjusted for age.

We will also "visualize" the "healthcare plus long-term care" costs per person to clarify regional disparities in healthcare and long-term care.

As for the incentive reform, we will define indicators for insurers' (including local governments) execution status of efforts to promote changes in citizens' behavior, indicators for citizens' behavior as

¹² Medical insurers will provide points to insurance subscribers according to their activities to improve health such as walking and jogging. Points can be exchanged for such items as health goods.

a result (rate of medical checkups, rate of generic drug use, extension of healthy life expectancy, decreasing rate of aggregation, etc.), and evaluate their progress.

As for industrialization in public services, we will define indicators regarding the number of healthcare business operators that meet a certain standard, the status of data health efforts by insurers, and the number of insurers that utilize health organizations corresponding to data health. We will evaluate their progress and ascertain the effects through “visualization” of health maintenance rates and incidence rates of serious lifestyle-related diseases for each insurer.

**(2) Fairness in insurance contributions based on ability to pay, and optimization of benefits
(Policy and timeline)**

To maintain fairness among and within generations and realizing contributions based on ability to pay:

- (a) Regarding review of a reimbursement system for high-cost medical care of healthcare insurance and a reimbursement system for high-cost long-term care of long-term care insurance, we will discuss specific contents at related councils, draw a conclusion by the end of 2016, and based on the conclusion, promptly take necessary measures.
- (b) We will discuss at related councils optimal co-payments for the late-stage elderly in healthcare insurance, and draw a conclusion within the intensive reform period.
- (c) We will discuss in related councils optimal co-payments in long-term care insurance, draw a conclusion by the end of 2016, and take necessary measures (including a bill submission to the 2017 regular Diet session for items that require legal changes) based on that conclusion.

We will discuss in related councils the introduction of a long-term care levy according to income and a system to impose a burden on medical insurance taking into consideration owned financial assets, which are discussion items in the social security reform program for realizing fairness in insurance contributions according to payment standards of regular employees.¹³ We will draw a conclusion by the end of 2016 and take necessary measures (including a bill submission to the 2017 regular Diet session for items that require legal changes) based on that conclusion.

To optimize the range and content of public insurance benefits through discussion and curb insurance premium burden increases:

- (a) For the subsequent reform of the long-term care insurance system, we will review in related councils benefits for persons with mild disabilities, including life support service, welfare equipment rental, consider transitioning to Community Support Projects, and what the burden should be. We will draw a conclusion by the end of 2016 and take necessary measures (including a bill submission to the 2017 regular Diet session for items that require legal changes) based on

¹³ “Act on Promote the Reform to Establish Sustainable Social Security System” (Act No. 112 of 2013).

that conclusion. Optimization of welfare equipment rental and home renovation benefits should be promptly taken care of based on discussion results.

(b) Regarding consideration of cost effectiveness in insurance applications of pharmaceutical products, we will discuss measures including selection of evaluation targets aimed at a trial introduction in the FY2016 revision of remunerations for medical treatment and draw a conclusion. We will also discuss ideal methods of lifestyle-related disease prescriptions after collecting experts' knowledge on them, while introducing a cost effectiveness evaluation, and reach a conclusion by the end of FY2017.

(c) In light of the review on a range of public insurance benefits and proper use of pharmaceuticals, we will discuss specifics on such measures as not covering similar OTC drugs that have been popular as commercial products, in the FY2016 revision of remunerations for medical treatment, and draw a conclusion. We will increase pharmaceuticals' switching to OTC drugs¹⁴ and at the same time discuss in related councils what the related insurance amortization rate should be, draw a conclusion by the end of 2016, and take necessary measures (including a bill submission to the 2017 regular Diet session for items that require legal changes) based on that conclusion.

(3) Reforms relating to the dispensing of drugs and compensation for drug costs

(Policy and timeline)

As numerical targets of generic drug share, we have set 70% or more in the middle of 2017, 80% or more at the earliest between FY2018 and the end of FY2020, in Basic Policy 2015 decided by the Cabinet in June 2015. In order to achieve these targets, we will advance comprehensive measures such as incentives with remuneration for medical treatment in the FY2016 revision, enhancement of a quality check system for reliability improvement, and environmental improvement projects through public awareness promotions. In the middle of 2017, we will determine the time limit to achieve a generic drug share target of 80% based on the progress at that time, and take further actions.

Considering the importance of promoting innovation in the development of pharmaceuticals, we will steadily promote innovation, including the activation of clinical researches and trials, and ensure a stable supply of fundamental pharmaceuticals based on the “Comprehensive Strategy for Strengthening the Pharmaceutical Industry” created in September 2015.

We will properly evaluate drug prices in the revision of remunerations for medical treatment based on market prices, discuss optimal revision of drug prices including its frequency considering actual revisions up to FY2018, and draw a conclusion by the middle of 2018 at the latest. In addition, we will promote improvement in pharmaceuticals distribution aimed at setting appropriate market prices.

¹⁴ Switching ethical pharmaceutical (drugs that are prescribed by doctors' diagnosis and prescriptions) to non-prescription drugs (OTC drugs)

In the FY2016 revision of remunerations for medical treatment, we will review generic drug prices taking into consideration decreasing the burden placed on citizens, and the prices of originator drugs after the patent time taking into consideration generic drug prices.

We will discuss at related councils how to place the burden related to the gap in the amount between insurance benefits for a generic drug and the price of an equivalent originator drug and draw a conclusion by the middle of 2017.

As for pharmacies, based on the “Pharmacy Vision for Patients”¹⁵ which clarifies functions of family pharmacies and suggests restructuring pharmacies in the future, we aim at effective control of medications and residual pharmaceuticals by pharmacists, and pharmacists’ participation in integrated community care. We will manage the progress using indicators to be defined based on this vision in order to evaluate the quality of the separation of pharmacy and clinic. As for dispensing fees, we will thoroughly review their structure in the FY2016 revision in terms of a proper evaluation of large pharmacies nearby hospitals, of goods handling such as prescription reception and preparation of medicaments, and of unified and continuous management of dosage information and pharmaceutical control and guidance based on them. To realize the separation of pharmacy and clinic for the benefit of patients, we will advance actions within the intensive reform period.

We will explain the contents and evaluation results of the revision of remunerations for medical treatment in a way citizens will easily be able to understand.

(KPI)

With regard to the promotion of generic drug use, we will promote efforts based on the target values set in Basic Policy 2015 (70% or more in the middle of 2017, 80% or more at the earliest between FY2018 and the end of FY2020). To evaluate efforts to improve the distribution of pharmaceuticals, we will define an indicator for shares of pharmaceuticals dealt by unit item and unit price, in addition to “visualizing” *agreed rates* (ratio of drug for which the trade price is agreed between hospitals and wholesalers). By determining pharmacies’ efforts through indicators based on the “Pharmacy Vision for Patients” and “visualization” of incident numbers of double medication, we will track the progress of reform related to pharmacies.

(4) Pension

(Policy and timeline)

With regard to pensions, we will discuss matters in terms of the social security reform program and take necessary measures.

We will take necessary steps including a bill submission as soon as possible regarding review of a rule

¹⁵ “Pharmacy Vision for Patients” (October 23, 2015, MHLW).

of pension payment revision and expansion to short-time workers based on a summary of discussions at the pension committee of the Social Security Council in January 2015. Based on a rule in Article 2 of Supplementary Provisions of the Pension Strengthening Act,¹⁶ we will discuss an application range of Employees' Pension Insurance and National Health Insurance to short-time workers at related councils by the end of September 2019 and based on the conclusion take necessary measures including a bill submission. In the process, we will consider the employment promotion of short-time workers.

We will promptly discuss pension receiving that is based on each person's situation and that meets the diversity of the working life of the elderly, including the age at which receiving a pension begins and a period of employment contributions and their flexible management based on matters such as employment trends among the elderly at related councils for the next fiscal review (2019), and based on the conclusion take necessary measures including a bill submission.

We will also discuss promptly at related councils the pension system's income redistribution function, including pension payments for high-income earners, suspension of old-age basic pension payments for high-income earners, expansion of employee insurance applications, and enhancement of the redistribution function, such as changing the upper and lower limits of standard remuneration, comprehensively considering discussions on the pension tax system and other social security systems. We will take necessary measures based on the conclusions accordingly, including a bill submission. Regarding a review on taxes on pension benefits, including tax deductions for public pensions, we will discuss it at the Tax Commission in an organized manner so that the tax burden structure will be reviewed from the comprehensive perspective of individual income tax.

(5) Public assistance

(Policy and timeline)

To remove people from public assistance through increases in employment and income, we will advance optimization of the public assistance system by steadily supporting employment and consistently reviewing each system to make them effective and efficient, considering increasing willingness to find jobs.

We will promote optimization of medical assistance such as promotion of generic drug use aiming at a ratio of use by public assistance recipients of 75% by the middle of 2017, and taking measures to decrease frequent treatments.

We will discuss the public assistance system as a whole, in time for a subsequent review on standards for livelihood assistance in FY2017, and discuss how the independence support system for the needy

¹⁶ "Act for Partial Revision of the National Pension Act, etc. in order to strength the Financial Ground and Minimum Guarantee Function of the Public Pension System" (Act No. 62 of 2012).

should be established as a second safety net, and take necessary measures (including a bill submission to the 2018 regular Diet session for items which require legal changes) based on the conclusion.

We will discuss at related councils by the end of FY2018 what current government contributions to unemployment insurance should be, considering standards of deposit and unemployment insurance premiums, trends in the economic employment situation, a rule in Article 15 of Supplementary Provisions of Employment Insurance Act,¹⁷ and the role of government contributions, then reach conclusions and take necessary measures based on them.

(KPI)

We will define indicators on the progress of optimization of employment support and medical assistance, track the progress, and evaluate the operation through “visualization” of employment support status by municipality.

[2] Social infrastructure improvement

[Key Points]

- Conversion of sustainable city structures and stock optimization: we will realize compact and sustainable city structures and optimize public stock by “visualization” of information regarding maintenance cost and assets in each city. In addition, PPP/PFI scheme will widely be established by nationwide platforms.
- Strategy for social infrastructure improvement: we will prioritize social infrastructure investment areas to maximize their stock effects. Long-life infrastructure system and infrastructure maintenance related industry will be developed. Construction industry reform will be facilitated to secure labor resources. In addition, productivity of construction will be increased.

We need to systematically advance improvement and management of social infrastructure and public facilities, with a medium- to long-term outlook based on “The Plan to Advance Economic and Fiscal Revitalization” in order to contribute to both economic revitalization and fiscal consolidation, while attempting to improve efficiency, including management. To this end, we define the measures for realizing reforms listed in the plan and KPI that monitors their progress and its targets as follows:

(1) Conversion of sustainable city structures and stock optimization of public facilities

As aging and decrease of population have advanced, it is expected to optimize stock of public facilities and the use of national/public properties while realizing sustainable city structures and retaining necessary functions. In so doing, we need to “visualize” information on future maintenance costs and unused assets, and arrange a framework whereby residents are able to “visualize” the future

¹⁷ “Employment Insurance Act” (Act No. 116 of 1974).

image of local communities of their own initiative and realize that image. As a means to that end, we will attempt to keep the cost by using various PPP/PFI schemes such as Concession¹⁸ as much as possible, and expand new business opportunities for which private funds and expertise can be utilized.

For those objectives, we will start with sharing images of a compact and sustainable city in regions by creating a plan of location optimization.¹⁹ We aim to create it for 150 municipalities by 2020 and manage the progress. We will promote developing plans and check the effects with the number of municipalities whose proportion of residents living in areas which encourage residences is increasing. In addition, we will promote “visualization” of municipalities’ achievements by developing and providing indicators to enable municipalities to monitor effects brought by compacting in economic or fiscal areas, or in health.

As a next step, we will formulate in local governments a comprehensive management plan for public facilities²⁰ by FY2016 and an individual facility plan by FY2020, in order to retain necessary functions and concentrate/integrate public facilities, and ascertain the progress with the number of local government that have formulated them. At the same time, we will “visualize” information on public facilities, such as an indicator of ratio of assets obsolescence that will be available by improvements in local public accounting to be completed by FY2017 through a unified standard, including a fixed asset ledger, or a maintenance cost per resident. Such “visualization” will allow us to increase public understanding of stock optimization while aligning to a plan of location optimization.

Additionally, we will promote the effective use of unused assets of national/public lands. We will advance “visualization” of information on assets unused or for sale and promote optimized use in collaboration with local governments and using suggestions from the private sector.

Furthermore, we will review the current PPP/PFI action plan and further expand within FY2015 the target currently set for the plan as a whole to induce the active introduction of PPP/PFI to the management of public facilities and social infrastructure. The national government and local governments with populations of 200,000 or more will establish systems to prioritize adopting PPP/PFI methods based on regional situations within FY2016, and systematically deploy nationwide a regional platform to develop and spread PPP/PFI schemes. We will establish a system to monitor the

¹⁸ A scheme of delegating to private business operators the management of public facilities that collect fees, with the proprietorship unchanged.

¹⁹ A system based on Act on Special Measures Concerning Urban Renaissance. A comprehensive master plan in a broad perspective regarding location optimization of urban functions such as residential functions and medical/welfare functions and public transportation improvements, with the aim of realizing sustainable city management through the maintenance of life services supported by a certain population density or curbing infrastructure costs.

²⁰ A plan by local governments for life extension of infrastructure (action plan) for promoting comprehensive and systematic management of public facilities, requested to be organized by “Regarding promotion of comprehensive and systematic management of public facilities, etc.” (MIC/MOF No. 74 on April 22, 2014).

number of PPP/PFI business adoption and effects of cost decreases within FY2015.

(2) Strategy for social infrastructure improvement

(a) Social infrastructure improvement to maximize stock effects

Even with the decreasing population, we need to improve productivity of economic activities and realize strong economic growth by improving social infrastructure with high stock effects. To realize it under circumstances of harsh fiscal austerity, we need to shift to an infrastructure management strategy of “wise investment and wise use” that effectively utilizes limited budgets.

To do so, based on “the Priority Plans for Social Infrastructure Development”,²¹ we will carefully select new investment businesses bringing high stock effects by “choosing and concentrating” areas such as the economic growth, improvements in the quality of life, and safety and security by strengthening national lands. In addition, we will organize methods for evaluating stock effects and enhance the PDCA cycle to ascertain its realization. To further improve the efficiency of individual public businesses and enhance transparency of progress, we will pursue proper evaluation of businesses with the decreasing population through continual pre-evaluation and post-evaluation, further “visualizing” maintenance costs, and considering applying an evaluation system to subsidy businesses.

Regarding existing facilities, on the other hand, we will strategically maintain them in good condition by making the best use of their functions and effectively suppressing the maintenance/renewal costs of social infrastructure stock, even with limited budgets. To do so, the government and local governments will formulate plans for life extension of infrastructure to clarify the medium- to long-term direction of efforts, and steadily proceed with systematic maintenance and renewal. In addition, to nurture and expand the maintenance industry, we will train and secure engineers to oversee maintenance and renewal by organizing a system to register private-sector qualifications, and start an infrastructure maintenance national congress (tentative name) within FY2016 whereby academies, industries, and the government will jointly develop new technologies.

(b) Structural reform related to workers and expertise at workplaces

As the aging of workers and the decrease of new young hires have been advancing in the construction industry, it is necessary to realize structural reform for securing and training skilled workers in the medium- to long-term and improve productivity of construction systems with new technologies and methods.

To this end, we will improve working conditions of skilled workers through enhancement of measures for workers not participating in social security (aiming at a 100% participation rate for authorized

²¹ “Priority Plans for Social Infrastructure Development” (decided by the Cabinet on September 18, 2015).

construction companies by 2017), securing appropriate wage levels, and the development of a system to accumulate the experience of skilled workers (with a target of full implementation in FY2017). In addition, we will support the further success of young people and women. As part of progress management, we will monitor the number of companies that newly hire young engineers, and aim to double the number of female engineers and skilled workers (comparison between 2019 and 2014). Additionally, we aim to drastically improve productivity of construction systems through the leveling of construction periods by utilizing contract authorization and flexible management of construction starting times, and laborsaving and efficiency by actively using new technologies and methods in public works.

[3] Local-government administrative and fiscal reform, and cross-sectoral initiatives

[Key Points]

- To encourage local governments' efforts toward regional revitalization and administrative and fiscal reform, we will advance incentive reforms by reflecting achievements in calculation of Vitalizing Local Economies project and introducing the Top Runner method (the reflection of the cost levels attained by expenditure efficient entities in calculations of a basic amount of fiscal demand for local allocation tax for the purpose of enforcing efficient expenditures).
- Monitoring wage increase rate and capital investment growth rate as evaluation points for the economic effects derived from local governments' efforts.
- "Visualization" of administrative cost per resident by nature and objectives in local governments and "visualization" of stock information through improvement of fixed asset ledgers.
- To monitor changes of administrative costs per person by prefecture and the breakdown of their revenue source (e.g. local tax, local allocation tax and national treasury disbursement) by conducting "visualization" and generating a comparable situation.
- Building a framework to check outcomes as a result of inputs (cost-effectiveness).
- With model projects of operational reforms and the creation of standard outsourcing specifications, accelerating proper outsourcing to the private sector, which leads to innovation in public services and industrialization of public-related services.
- Further promotion of innovation in local governments' public services by transition to cloud-computing technology and enforcing operational reforms, support in training persons able to promote IT strategy and securing human resources able to play a CIO role in local

In order to attain the targets and benchmarks defined by the plan, we will improve measures to support regional revitalization and efforts, advance expenditure reform and its efficiency in accordance with national government policies, and effectively utilize the business resources of local municipalities, while hearing from local governments, including local governments having approximately the same level of revenue and expenditures as the national government. For realizing both efficiency and quality of public services at the same time, we will tackle all expenditure matters

at both the national and local levels by promoting operational reform utilizing IT, active use of private know-how through outsourcing, promotion of “visualization” of public services, and administrative reform.

**(1) System reform related to local government finances including the local allocation tax
(Policy and timeline)**

To encourage local government efforts toward regional revitalization and administrative and fiscal reform, we will further reflect achievements in calculations of Vitalizing Local Economies project, and we will promote incentive reform by reflecting the cost levels attained by expenditure-efficient entities in calculations of a basic amount of fiscal demand for the local allocation tax (Top Runner method), and continue working on reform of local government fiscal systems including the local allocation tax.

We will advance management reform of public enterprises and quasi-public sectors through expanding application of public enterprise accounting²² that promotes “visualization,” considering drastic reforms including business closures and privatization, enhancing management foundation by planning management strategies, and restoring the financial situation of quasi-public sectors. We will also create and exploit a new subsidy to support regional revitalization efforts.²³ In advancing the reform, we will involve regional residents and encourage their understanding and cooperation, and note that each local government has a different geographical condition and local governments only cannot achieve obligatory cost-cutting.

Under the cost of the Vitalizing Local Economies project, considering the “outcome” of the comprehensive strategy version local governments, we will allocate local allocation tax based on more than half of the result of reforms and the other factor after the intensive reform period. As for the introduction of the Top Runner method, among local governments’ operational reforms to be ascertained by the survey on local administrative service reform, we will reflect all operations regarded as unit cost of local allocation tax (23 operations). We will start working on 16 of them such as general administration and information systems management in FY2016, and gradually implement the reflection of calculations of a basic amount of fiscal demand over the next three to five years. While evaluating economic effects of reform related to local government fiscal systems, we will monitor wage increase rate and capital investment growth rate as evaluation points. Regarding the reform with public companies and quasi-public sectors, the Ministry of Internal Affairs and Communications has already provided local government with guidelines and made requests of them.

²² A special accounting based on Article 17 of Local Public Enterprise Act. This special accounting in local public enterprises should use a corporate accounting system, with double-entry bookkeeping based on an accrual basis.

²³ It aims to support voluntary and subjective efforts by local governments to expand regional revitalization.

Based on this action, we will promote the reform as early as possible within the plan period. We will found a new subsidy by the FY2016 budget, and will monitor the achievement of KPI set by local governments every year, and exploit it selecting initiatives from the next year.

(KPI)

We will check the progress of regional revitalization and local-government administrative and fiscal reform by monitoring the ratio of “outcome” reflected to Vitalizing Local Economies project costs, a trend of indicators used for calculating the local allocation tax, expansion of the Top Runner method adoption, and the ratio of public enterprises created management strategies. We will verify ex post facto the achievements of the reform over the whole area of local public enterprises using indicators of income and expenditures, transfers from general accounts, while checking the number of local governments (with populations of 30,000 or more) which use public enterprise accounting in prioritized businesses (sewers and small water supply systems), a ratio of management plan creation, and the decrease of businesses running deficits. We will also evaluate the economic and fiscal effects of the new subsidy.

(2) Visualization of local government administration and finance

(Policy and timeline)

In view of the fact that “visualization” is a fundamental infrastructure through which people share issues of local government administration and the reform necessity and direction, we will advance full “visualization” of local government finances including administration costs and information about possession and maintenance of infrastructure.

We will thoroughly “visualize” administrative cost per resident by nature and objectives in local governments, and make it available for comparisons both over time within a municipality and with other municipalities. We will also promote the creation of a comprehensive management plan for public facilities, extensively “visualize” stock information by clarifying “a ratio of assets obsolescence” in accordance with improvement of local public accounting (fixed asset ledger) and conducting “combined analysis” with future liability ratio. We will steadily disclose breakdowns of standard financial requirements for the local allocation tax (for prefectures), and the concept of allocation of the local allocation tax, specifics of the content, and changes over time including those for municipalities throughout the intensive reform period. In addition, we will promote the application of public enterprise accounting and evaluate achievements of concentration/integration of public facilities.

We will “visualize” performance indicators, which are fundamental framework defined by laws and national government disbursements (e.g. healthcare, long-term care, education.) and information related to public services while reviewing related laws, and based on that review, we will revise the allocation of national government disbursement and the local allocation tax. By making administrative cost per person by prefecture and its revenue source breakdown (e.g. local tax, local allocation tax and

national treasury disbursement.) comparable through “visualization,” we will monitor changes in them over the years. In the process, we will collaborate with prefectures by sharing information on basic municipalities within the area. In addition, we will build a framework to clarify and check outcomes as results of inputs (cost-effectiveness) by “visualizing” performance indicators.

(KPI)

We lead to all local governments to create a comprehensive management plan for public facilities, and will verify the ratio of municipalities that concentrated/integrated facilities and the ratio of assets obsolescence. We also lead to all of local governments to apply local public accounting based on fixed asset ledger and a unified standard.²⁴ By checking the number of municipalities which use public enterprise accounting in prioritized businesses (sewers, small water supply enterprise), we will fully “visualize” public enterprise accounting. Additionally, by “visualizing” administrative cost per person by prefecture and its revenue source breakdown (e.g. local tax, local allocation tax and national treasury disbursement.), we will monitor changes in them over the years.

(3) Reform in local government administration

(Policy and timeline)

We will accelerate appropriate and dynamic outsourcing to the private sector, which will lead to innovation in public services and industrialization in public services, and additionally advance integration of public services over a wider area.

To advance the operational reform of ICT integration and outsourcing, by utilizing the BPR²⁵ method with the cooperation of private enterprises we will carry out an “operational reform model project”, focusing on internal management operations such as counter operations directly linked to resident services or general affairs directly linked to operational efficiency, for three years starting from FY2016. With the cooperation of volunteer municipalities, we will begin to create a standard workflow of counter operations and standard outsourcing specifications from FY2016. Throughout the planning period, we will promote the formation of core regional urban areas and independent permanent residency areas.

(KPI)

By FY2020, we will double the number of municipalities that work on versatile and advanced reform

²⁴ A local public accounting that uses a fixed asset ledger and double-entry bookkeeping, requested to be organized by “Regarding promotion of local government accounting based on a unified standard” (MIC/MOF No. 14 on January 23, 2015).

²⁵ Business Process Re-engineering.

such as the outsourcing of counter operations. By setting a target number of model municipalities that will utilize standard outsourcing specifications, we will certainly improve them in quality by reflecting feedback from many different municipalities. We will set target numbers for the core regional urban areas and independent permanent residency areas, promote their spread, then evaluate the effects of these areas using indicators such as changes in social demographics.

(4) Wider use of IT and operational reforms, administrative reforms

(Policy and timeline)

We attempt improving the efficiency and quality of administrative services in both national and local governments through wider use of IT and operational reforms. We will advance utilization of the My Number system, provide measures to promote IT implementation and BPR deployment at the local government level, promote the government's reform of on-line services and operations, transition the government information systems to cloud-computing technology,²⁶ and rationalize them. We will also simplify and standardize local governments' operations and actively deploy cloud-computing technology in municipalities. In addition, we will deploy nationwide advanced models of innovation in public services, promote measures to collect local taxes, and reduce personnel expenses of national and local government employees.

We will promote on-line service reform utilizing My Number and Individual Number Card, support the training of persons who can promote IT strategies and the securing of human resources who can play a CIO²⁷ role in local governments, and advance operational reform at each ministry and transfer the government information system to cloud-computing technology. The "National and Regional IT Adoption and BPR Promotion Team"²⁸ will conduct analyses within FY2016 on municipalities' cases regarding cloud-computing technology transition, and based on those analyses, we will further promote cloud-computing technology transition and operational reform. We will promote the extension of municipalities' innovative nationwide, for innovation in public services. Regarding measures of collecting local taxes, we will organize and sort out effects of efforts such as communal processing of collection, on-line public sale, promotion of electronic declaration (eLTAX) within FY2016, and provide the results to municipalities. We will also attempt to suppress increases in the labor costs of public employees within the plan period.

²⁶ Deploying "government common platform" which is a fundamental system using cloud-computing technology, and integrating and concentrating the government information systems that are built and managed by each ministry respectively.

²⁷ Chief Information Officer.

²⁸ "National and Regional IT Adoption and BPR Promotion Team" (decided e-Government Ministerial Conference, on April 13, 2015).

(KPI)

The national government will reduce government information systems by FY2018 and reduce operating cost by 30% by around FY2021. As for local governments, we will double the number of municipalities that transition to cloud-computing technology by FY2017 and reduce cost of the local governments' operations cost by 30%.

[4] Education, science and technology, foreign diplomacy, and national security and defense**[Key Points]**

- Emphasis on evidence of educational effects. Promote experimental studies on education policy. Based on the progress, we will present a medium-term vision regarding quotas for teaching staff based on the declining birthrate and other issues pertaining to schools.
- Introduction of private-sector funding to national universities and applied research, index quality improvement of education and research.

In the area of education, science and technology, in the plan, we have decided to promote the reform with the following as basic policies: (1) budget optimization based on the declining birthrate; (2) promotion of the introduction of private funds; (3) wise and prioritized budgeting and, (4) full deployment of PDCA cycle based on evidence. We define the measures for realizing reforms listed in the plan and KPI that monitors their progress and its targets as follows:

(1) Budget optimization such as setting a vision regarding quotas for teaching staff based on the declining birthrate, and full deployment of PDCA cycle based on evidence**(Policy and timeline)**

We will present trends in the declining birthrate and class size optimization, collect data on schools and educational environments such as objective data on school issues, track progress of experimental studies on education policy, and define and publicize a medium-term outlook on quotas for teaching staff backed by a budget with local government needs for policy. In addition, we will request a budget after comprehensively considering the data, the effects and cost of education policy, background environmental factors, and establish a PDCA cycle in education.

We will build a structure for promoting experimental studies on education policy within FY2015, and start it with an expanded related budget from FY2016. Based on the progress in data collection and experimental studies, we will define a medium-term vision regarding quotas for teaching staff by FY2018. Considering these efforts, we will build a PDCA cycle in education by FY2020.

(KPI)

We aim to achieve the decrease of total working hours of teachers and hours of administrative work

among that total in the 2017 survey compared to that of 2013.

We will define KPI to measure improvements in the quality of elementary and secondary education, such as maintaining the world's top class and improving rankings in various international surveys such as the OECD/PISA survey.²⁹

(2) Promoting introduction of private-sector funding to national universities and applied research, wise and prioritized budgeting

(Policy and timeline)

We will promote the introduction of private sector funding by promoting joint research of national universities/public research institutions and private enterprises, diversify revenue sources such as expanding national universities' endowment incomes, increase the mobility of capable human resources, and promote the sharing of research facilities.

For the efforts above, we will include related items in the national university corporation medium-term goal and plan for third period (FY2016 - FY2021) formulated in FY2015, and in the fifth Science and Technology Basic Plan (FY2016 - FY2020), and track the progress of and achievements in each item.

(KPI)

As KPI measuring the introduction of private sector funding, we aim to achieve in FY2020 a 1.2 times increase from the average of FY2009-FY2013 in total research expenses from enterprises to universities/public institutions. We are also aiming at a 1.3 times increase from FY2014 in endowment amounts received at national universities, and a 1.5 times increase from FY2013 in joint enterprise and university research amounts.

We will also define KPI measuring the quality improvement of higher education. Regarding the progress of the third national university corporation medium-term goal and plan that set a target of placing ten or more Japanese universities in the ranking of top 100 world universities within the plan period, we will evaluate it in a provisional appraisal in FY2019 and achieve the medium-term target for all corporations within FY2021.

It is important to improve the quality of research in Japan through the integrated advancement of university reform and competitive research expense reform. As KPI measuring improvements in research quality, we will aim at a ratio of 10% or more of theses ranked within the top 10% of the most quoted against a total number of theses in Japan between 2018 and 2020.

²⁹ An international survey conducted by The Organisation for Economic Co-operation and Development (OECD) regarding academic performance of students (Programme for International Student Assessment)

(3) Other areas**(Foreign Diplomacy)****(a) ODA**

Regarding ODA, considering the severe financial situation compared to that of other countries, we will work on it appropriately, effectively and strategically as an important diplomacy measure. Based on the “Development Cooperation Charter”³⁰ decided by the Cabinet in February 2015, we will promote enhancement of PDCA cycle and information disclosure on the evaluation, and advance development cooperation through public-private partnerships. By deploying “high quality infrastructures” and supporting overseas operations of small- and medium-sized enterprises, we will promote growth led by private sectors and effectively promote economic prosperity in developing countries with greater strength, which will lead to robust economic growth in Japan as well.

(b) Contribution to international organization

Regarding contributions to international organization, after clarifying evaluation standards and indicators, we will review their validity by quantitatively evaluating from various aspects organizations to which we contribute and apply it to budget requests in the next year. Regarding voluntary contributions to be earmarked for each given project, we will publish an achievement goal per project and follow up on achievements. Through these efforts, we will allocate budgets with a good balance and realize more efficiency in businesses. We will further enhance PDCA and ensure transparency by hearing from external experts on evaluation methods and targets.

(National security and defense)**(c) Efforts for efficiency, efforts related to procurement reform, etc.**

Based on the “Medium Term Defense Program (FY2014 - FY2018),”³¹ we will steadily advance defense build-up and work on further efficiency/rationalization through such procurement reforms as: (1) procurement of equipment and services using long-term contracts; (2) reviews of maintenance methods; (3) bulk purchases of equipment; and, (4) use of commercial products and reviews of specifications. We will target a reduction of approximately 700 billion yen during FY2014 - FY2018 (aiming at a reduction of approximately 481 billion yen during the intensive reform period).

As part of the initiative based on the said plan, we will work on the following with a center of newly established Acquisition, Technology & Logistics Agency (ATLA): (1) introduction of project

³⁰ “Development Cooperation Charter” (decided by the Cabinet on February 10, 2015).

³¹ “Medium Term Defense Program” (decided by the Cabinet on December 17, 2013).

management methods; (2) expansion of PBL³² application; (3) classifying an applicable range of negotiated contracts; (4) building a new contract system utilizing human resources of special research officers; and, (5) promotion of a security technology research promotion system, to further promote procurement reform.

[5] Reforming revenue measures and compression of assets and liabilities

(1) Expenditure reform

(Efforts for revenue increase)

To increase tax revenues, we will work on “sophistication of the economic structure and achievement of higher value-added” which will promote enterprise turnovers and labor movement, and work on measures such as broadening the tax base by improving shares of private sectors through “industrialization in public services” and “innovation in public services.”

We will utilize the My Number system to reduce the cost of tax collection, and urgently organize systems using My Number such as matching financial and fixed-asset information (including registered and tax information) and income information in order to ascertain the taxable capacity, and promote optimizing the collection of tax and social insurance fees. Regarding measures to collect local taxes, we will organize and sort out the effects of efforts such as communal processing of collection, on-line public auctions, promotion of electronic declaration (e-Tax) within FY2016, and provide the results to municipalities.

Additionally we will secure stable non-tax revenues through the effective use of assets held by the national and local governments and sales of unnecessary assets.

(Structural reform of tax system)

We will drastically promote growth-oriented reform of corporate tax and secure fiscal resources by expanding the tax base through system revision to realize the “20% level” of effective rate of the corporate tax in FY2016. We will continue tackling various corporate tax system issues, including reviews of special taxation measures and considering the level of small and medium corporation taxation.

Additionally, the Tax Commission has started discussion of the review on tax system based on structural changes in the economy and society, and created a “Summary of Issues on Tax Systems

³² PBL (Performance Based Logistics): regarding operations related to equipment supply and maintenance, instead of making contracts of parts purchase/manufacturing and services such as repairs every time as needed for necessary numbers of items or service workload, making long-term contracts on all-round operations focusing on achievements by provisions (performances such as maintenance of or improvements in operation rates, reductions in repair time, stable stocks, etc.).

Taking into Account Structural Changes in the Economy and Society” as an interim summary in November 2015. The commission will further discuss those changes and summarize the results as a report next year, and review the tax system at the earliest possible time within the plan period.

As for local corporate taxation, we will correct maldistribution sources of taxation among regions after the consumption rate is changed to 10%, and take measures to reduce disparities in financial power.

(2) Compression of assets and liabilities

Regarding assets held by the national and local governments (including special accounts), considering contributions toward realizing the Dynamic Engagement of All Citizens, we will promote the effective use of national/public lands in collaboration with regions and the sales of unnecessary assets. We will effectively use proceeds from the sales for debt redemption and an additional increase in expenditures such as earthquake disaster reconstruction. By doing so, we will compress both assets and liabilities and curb their ratio to GDP as much as possible.

4. Building the Effective PDCA Cycle

It is crucial to run the PDCA cycle effectively based on the process and KPI of the reform. Related ministries will steadily advance the efforts and the Committee for Promoting the Integrated Economic and Fiscal Reforms will manage, check, and evaluate progress in a timely and appropriate manner. Major issues will be discussed at the Council on Economic and Fiscal Policy one by one.

To build an effective PDCA cycle, appropriately checking (proper timing, based on adequate data and information, objective and practical contents, etc.) and accurately reflecting the results to subsequent actions and planning (appropriate review of the process, KPI contents and target values, consideration of the progress of measures and emerging effects) are necessary. Reflection to budget and penetration to the workplace are especially important, and we will continue with efforts to enhance, improve and upgrade PDCA with the following points:

Regarding the PDCA related to measures, administration, and operations of each ministry, an annual process of policy evaluation and administrative project review has already been functioning, with which we will work in tandem.

The perspective specific to the plan's PDCA is, on the other hand, still important. With a reform that endeavors to bring about changes in people's awareness and behavior, it would be difficult to see short-term effects but probable to see prominent effects in the medium-term. Therefore, we need to check and evaluate it over a period of years in addition to annual checking on the progress and indicators. It is important to grasp in a timely manner the necessary and sufficient information of the reform progress, including data, various administrative information, questionnaires and hearings as needed.

Check and evaluation steps should quickly identify changes in the workplace. If changes in people's behavior have brought about expected results of changes in the supply and demand structure of public services, or if it is a gradually developing trend, such changes may not be identifiable using only statistics. We should willingly adopt other means of checking and evaluation such as site inspections and exchanges of opinions.

Improving the quality of checking and evaluation is essential to realize more efficient PDCA. In this context, we should actively advance the Open Data of indicators and analysis. It is expected that the Open Data will extend the evaluations and analyses by external experts, and implementing these evaluations and analyses will help improve and diversify verification methods. Another important effort is to quickly publicize statistics that may measure policy effects.

While appropriately combining single-year and multi-year PDCA, checks and evaluations at both the micro and macro levels, and evaluations by governments themselves and external verifications and analyses, we need to build a PDCA cycle that will become more effective in the medium-term, aiming to achieve the plan target.

This program is about the specifications, processes, and KPI of the reform stated in “The Plan to Advance Economic and Fiscal Revitalization.” We will check and evaluate the progress of the reform after building the PDCA cycle for the process, and apply the results to subsequent reform. We will keep concentrating on efforts enabling us to clearly see the way to achieve the plan target.

[Description of the Terms]

In this program, economic revitalization and fiscal consolidation are positioned to be compatible with each other, not conflicting (a), and the process is not top-down but bottom-up, which values individual reform efforts and initiatives of individuals and workplaces concerned (b). The approaches that try to realize compatible targets (a) by bottom-up (b) are: (1) industrialization in public services; (2) incentive reform; and, (3) innovation in public services. A key to make them effective is “visualization.”

- Industrialization in public services

Regarding public services (services provided by governments, public insurance systems such as healthcare, long-term care, childrearing, and social security services paid at public cost) and closely related services, to expand options of services and improve service effectiveness, locate and develop new factors of growth, through cooperation between private enterprises and public organizations.

- Incentive reform

By helping people become aware of the necessity to improve the quality of public services and motivating them to change the present situation, change the behavior of residents, insurers, and other enterprises, suppress quantitative increases in public services, and stimulate positive reform for economic and fiscal revitalization.

- Innovation in public services

Promoting “visualization” of information on the structure of public service supply and demand, and disparities among regions and insurers. Promoting the simplification and standardization of operations related to public services and the spread and deployment of advanced efforts.