

Minister's Summary by Minister Ota



8th Meeting (April 15, 2008)

- (1) On Strategy for Innovative Technology
- (2) Toward the “zero waste” Government
 1. On “best practices” of private businesses
 2. On reviewing public interest corporations closely related to administrative bodies

Hiroko Ota here. Today, the Council on Economic and Fiscal Policy (CEFP) held its 8th meeting of the year and conducted discussions on Strategy for Innovative Technology and toward the “zero waste” Government.

On Strategy for Innovative Technology, Temporary Member Kishida (Minister of State for Science and Technology) presented the interim report of the Strategy for Innovative Technology. He added that he will examine a list of technologies nominated and in May select technologies that the Government will support. Expert members pointed out the need of earmarking 1% of the science and technology budget as “an emergency budget for nationally important projects” to timely sponsor innovative technology research and development in an intensified and strategic manner, as in the case of research on iPS cells to which the Government decided to provide financial assistance with rapidity. The following comments were voiced.

Expert member: The expert members’ proposal would earmark 14 billion yen, or just 1% of the total budget for science and technology promotion (approximately 1.4 trillion yen in total), for “Emergency Budget for National Projects.” This is just equivalent in amount to the research budget ceiling for a single private-sector company, and this must be increased in amount.

Expert member: Checking on wasteful spending of the science and technology budget is important. Parts of the budget are still awarded to single tendering processes or other less transparent spending practices without going through an open tendering process. It ought to be made clear who are responsible for resource allocation.

Expert member: Council for Science and Technology Policy (CSTP) needs to enhance its capacity to evaluate technologies, and in addition, the budget allocation itself needs to be evaluated. The proposed earmarking of “1% of the existing science and technology budget” is the minimum target. It should be further increased in amount, partly to achieve the target total amount of governmental research and development expenditure worth 25 trillion yen during the 3rd Science and Technology Basic Plan, and the strategic budget ceiling has to be increased in amount accordingly.

Member Nukaga (Minister of Finance): Compared with other budgets, expenditures promoting science and technology significantly increases in value. The budget should be spent in a strategic and intensified manner, and the ability to professionally decide “on which area the governmental financial assistance should focus” is essential. The Government should make more focused use of limited financial resources.

Member Amari (Minister of Economy, Trade and Industry): I have had a grave sense of crisis. The science and technology budget has been allocated to each ministry, but no one plays the role of “a commander-in-chief” responsible for making decision from a comprehensive viewpoint on “which area the financial assistance should focus on.” CSTP is most qualified for this task, and the Government should provide the necessary authority and budget to CSTP. I previously mentioned the need of cutting the science and technology budget allocated to each ministry by some 10% and instead establishing a new special account earmarked for supporting any area of science and technology that CSTP identifies as a promising technology. It is worth taking the first step by reallocating just 1%.

Temporary Member Kishida: As the expert members proposed, it is extremely important to establish “Emergency Budget” which is designed to promote key technology research and development under the authority of CSTP. It is also important to design it as easy-to-use ones. I really would like this “Emergency Budget” to be incorporated into the budget for the next fiscal year that is to be compiled in this summer. Of equal importance is another proposal from the expert members that more efforts should be made to reinforce the evaluation process for establishing a better PDCA (plan-do-check-act) cycle. I really would like to work on this issue.

Member Masuda (Minister of Internal Affairs and Communications): CSTP is the most qualified and informed to evaluate policies on innovative science and technologies. Though it may be impossible to closely examine every grant-in-aid for scientific research, I really would like CSTP to carefully evaluate those of greater importance.

Today we have reached a consensus on the need of a special budget account for supporting the Strategy for Innovative Technology where resources should be input in a concentrated manner. We have asked Member Nukaga and Temporary Member Kishida to discuss how much the scale of the special budget should be. Prime Minister has basically agreed to the above mentioned proposals.

On measures toward the “zero waste” government, concerning the first point of issue, expert members made proposals as to how best practices of private businesses should be reflected in ministries to improve efficiency in their works. Of particular importance is information on how the governmental budget has been spent and names of recipients who have benefited from the budgetary spending. In the United States, a bill proposed by a number of Senators including Senators Barack

Obama and John McCain was signed into law which now requires the federal government to provide the information. The Japanese Government also have to let people know “who have benefited from the budgetary spending,” “how the budget has been spent” and “how effective the budgetary spending has been” in an easy-to-understand manner. Though some details of each public procurement contract have already been disclosed by ministries, they are not being available to the public in an easy-to-understand manner. The following comments were voiced.

Expert member: It is necessary to make it possible to evaluate where effect of the budgetary spending is being felt from an overall perspective. It only requires modification of software programs. General public or taxpayers are effectively “shareholders” of the Government, and naturally the Government ought to disclose information to its “shareholders.”

Expert member: Private businesses place greater importance on how appropriately the budget is being used, rather than on the budget compilation. Usually they quarterly evaluate the cost-effectiveness of the budgetary spending and modify the budget accordingly. On the other hand, departments of government ministries set no annual objectives, and they take too much time to prepare financial results. Accordingly, findings from the financial results are not reflected in the budget compiled for the next fiscal year. The private-sector’s practices will serve as a helpful guide. Speaking of an inventory of governmental works, private businesses closely analyze each job to screen out wasteful processes and streamline workflows. There is a reluctance to change ways of doing things in private-sector businesses, too. For this reason, we have invited third-party experts from outside the company to conduct operational audit. Since it is hard for people to see what is going on in governmental works, making them more “visible” and understandable is extremely important. The operation should be then turned into an opportunity to promote e-Government. Private businesses are more flexible in reviewing their organizations, too. Governmental ministries should review their ways of doing things to meet more public needs for governmental services.

Member Masuda: As for the expert members’ proposal on personnel management, we have already prepared for the full-scale performance appraisal of national government employees which is to be implemented in Fiscal 2009. Among other things, we are promoting to get rid of traditional seniority-based personnel management systems and ensure that the reviewing of personnel management is undertaken in line with what the expert members have expressed in their proposals. Working unpaid overtime is a common practice in government ministries, and at present, ministries are not able to grasp the realities of overtime working hours. This is partly due to the relationship with the Diet. Ministry officials often have to wait until late at night to learn what kind of questions are to be raised in Diet committees and then get themselves ready to answer the questions. While the reviewing of the relationship with the Diet is important, we should also identify a starting point for the full-fledged re-examination of long working hours. We have to review workflows in

ministries first by examining the realities of government officials' working hours. At the same time, wages for overtime work which is truly necessary should be paid, and unpaid overtime work should be eliminated. Organizations' objectives have to be clearly established at national governmental ministries, as they were being established at a prefectural level when I was serving as a prefectural governor. I would like to deliberate how to put into practice what we have discussed so far.

Member Nukaga: It is important to provide the public with information on names of recipients who have benefited from the government spending and how the spending is being used, and it is also effective for eliminating wasteful spending. While information on each public procurement contract is already made available to the public, some types of government subsidies are more difficult to track down as they are delivered to end-recipients through more indirect channels, for example, delivered by organizations via a business entity or an individual. We have to consult with ministries concerned on how to deal with this issue to identify corrective measures.

Expert members' proposals presented the need for reviewing public interest corporations which are not related to roads as well as those related to the earmarked revenues for roads, recommending that direction of reforms based on findings from the reviewing should be incorporated in "Basic Policies 2008." The following comments were voiced.

Expert member: Public interest corporations are often serving as hotbeds of wasteful spending or nontransparent practices of retired government officials landing jobs at ministry-affiliated organizations. It is vital to carry out the reform of public interest corporations in a decisive manner. It should be tackled as one of the top priority issues in administrative reform that requires government-wide efforts.

Expert member: Public interest corporations have never undergone fundamental reform since they were first established pursuant to articles of the Civil Law which were enacted in 1896 (the 29th year of Meiji), and governmental ministries are solely responsible for judging whether an entity is in the public interest or not. Currently, 930 public interest corporations receive government subsidies, of which 84% are now completely disclosing information as required by information disclosure standards, and 73% prepare and disclose detailed statements on how government subsidies they have received are spent. Ministries should instruct every public interest corporation under their jurisdiction to completely disclose the above information. In addition, personnel expenditures should be managed on an individual employee/worker basis to save personnel costs and eliminate non-transparent practices of allowing a single person to hold more than one non-fulltime director's post at two or more public interest corporations.

Member Nukaga: Prime Minister instructed us to take corrective measures directed toward the "zero waste" government in March, and on April 1, Chief Cabinet Secretary instructed

ministries to conduct a reappraisal of public interest corporations under their jurisdiction by June. The government subsidies to be awarded to public interest corporations have totaled 300 billion yen in Fiscal 2008, and 440 billion yen were spent on single tendering contracts in Fiscal 2006. I must carefully review these expenditures.

Member Machimura (Chief Cabinet Secretary): A draft reform plan for road-related public interest corporations is now being prepared. Using the plan as a guideline, we should proceed with a drastic reform of other public interest corporations, for example, by reducing a significant number of public interest corporations or of their workforce. Ministries are choosing one or two public interest corporations as model cases for reform, possibly by the end of April, to carry out reappraisal of them on a trial basis and complete the reviewing of all other public interest corporations closely related to each ministry possibly by June.

Expert member: We would like them to be done at an accelerated pace. Whether the Government can gain public trust on its determination for administrative reform depends on the outcome of this reform.

The Prime Minister made the following comments:

The Government's determination for the reform of public interest corporations should be articulated in "Basic Policies 2008."

Regarding enhancing efficiency on governmental works, procedures concerning the reimbursement of travel expenses should be reviewed. The process of drawing up a plan should be completed within three months and the plan should be put into action within six months. The Government and ministries should take necessary measures as soon as possible. Then, taking a cue from the case of travel expenses, ministries should enhance the efficiency of salary payment procedures and other government works.

Some policies were started a long time ago, but have not yet been reviewed. Ministries should thoroughly reexamine and review these policies in details before developing budget requests in August. I will give further instructions on these issues.

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