

Basic Policy on Economic and Fiscal Management and Reform 2019 (Overview)

A New Era of Reiwa: Challenges toward Society 5.0

Cabinet Decision on June 21, 2019

Provisional translation by the Cabinet Office

Challenges	Declining population, decreasing number of births and aging		
	Digitalization and the Fourth Industrial Revolution	Sluggish productivity and potential growth	Revitalization of regional economies
	Trade issues and the emergence of protectionism	Sustainability of social security and public finance	Downside risks of the overseas economies
Basic policy stance	Achieve both sustainable and inclusive economic growth and fiscal consolidation		
	1) Boost potential growth rate	2) Expand virtuous cycle of growth and distribution	3) Create a society in which everyone plays an active role and feels secure

Recognizing the changing global environment

Challenges toward the new era: **Acceleration to realize “Society 5.0”**

- Realization of an advanced economy through the Fourth Industrial Revolution and a society in which people enjoy convenient and rich lives
- Construction of a society in which everyone plays an active role in anticipation of the arrival of an era of “100-year lifespans”

Establish a system suitable for the age of “Society 5.0”

“Action Plan of the Growth Strategy” and other measures to boost growth potential

Definition of rules for the digital market, Fintech/finance, mobility, corporate governance

Reforms to social security system for all generations: employment of elderly persons, promotion of mid-career hiring and experienced personnel hiring, prevention of diseases and nursing care

Reinforcement of regional measures under population decline: management integration and joint management of local banks and scheduled bus operators, supplying human resources to regions

Human resource development, work-style reform, promotion of measures to increase household income

Human resource development: free early childhood and tertiary education, university reform, recurrent education

Work-style reform: correcting long-working hours, realization of a diversified and flexible workstyle, equal pay for equal work

Measures to increase household income: support program for the “employment ice-age” generation, raising minimum wages

Promotion of regional revitalization

Correction of the monopolistic concentration in Tokyo, creation of new movement of people to regions

Revitalization of the tourism industry and agriculture, forestry and fishery industries, bring vitality from abroad, support for SMEs and microenterprises

Cooperation with the global economy and society

Commitment to sustainable growth at the occasion of G20, making the 21st century trade rules, such as TPP11, as international standards

Rules and framework of cross-border data flow, contribution to environmental and global issues with a focus on SDGs

Virtuous cycle of economic revitalization and fiscal consolidation

Steady promotion of the New Plan to Advance Economic and Fiscal Revitalization

“Without economic revitalization, there can be no fiscal consolidation,” realization of a 600 trillion yen economy and achievement of the fiscal consolidation target in FY 2025

Budget formulation in line with the benchmarks during the “Foundation-Reinforcement Period” (from FY 2019 to FY 2021)

Efficient and high-quality administrative and fiscal reforms through next-generation administrative services

Digital government: central government-led standardization of information systems and data, simplification of documents and over-the-counter services, digitalization of local governments

Introduction and expansion of project management in the government information systems, lump sum budget requests and appropriations

Reforms in major policy areas

Social security: prevention of diseases and aggravation, health promotion, pension system reform, reform of the medical and nursing care systems

Social infrastructure: realization of smart cities, priority projects and productivity improvement, PPP/PFI, optimization of public facilities

Local public administration and fiscal reforms: reform of the fiscal system such as the Local Allocation Tax, management reform of public corporations and “third sector” companies, “visualization” and dissemination of good practices

Education, science and technology: thorough implementation of the PDCA cycle, improvement of the quality of budget through the promotion of EBPM

Acceleration and expansion of policy efforts in expenditure reforms

Thorough implementation and expansion of “visualization,” nationwide dissemination of advanced and good practices, incentive reforms

Short-term principles in economic and fiscal management and guiding principles in budget formulation for FY 2020

Overcoming deflation and economic revitalization is the top priority. Make every effort in economic management by taking all possible policy measures.

Using temporary and special measures, policies in FY 2019 aim at smoothing demand fluctuations around the time of the consumption tax rate hike and ensuring that the tax hike will not affect the recovery trend of the economy.

Encourage and support consumption by implementing measures such as point rewards for cashless shopping, vouchers with premiums, tax and budgetary measures for the purchases of durable consumer goods (automobiles and housing).

An appropriate size of temporary and special measures will also be included in the FY 2020 budget formulation. Downside risks of the overseas economies will be carefully monitored, and policies will be implemented flexibly without hesitation in case those risks materialize.

Establish a System Suitable for the Age of “Society 5.0” Part 1

“Action Plan of the Growth Strategy” and other measures to boost growth potential

Realization of “Society5.0”

Definition of rules for the digital market

- Creation of a body at the Cabinet Secretariat specialized in assessing the competition in digital market, etc.
- Submission of the bill for the “Law to Make Digital Platformer Business Dealings Transparent (provisional title)” to the 2020 ordinary Diet session

Fintech/finance

- Submission of a bill to the 2020 ordinary Diet session which allows for a wide-range of money transfer options other than bank transfer in the area of payment systems
- Realization of a cross-cutting legal system based on functions from the one based on business categories

Mobility

- Submission of a bill to the 2020 ordinary Diet session to simplify the procedures for creating an onerous passenger transportation system using private vehicles with the cooperation of taxi operators
- Nationwide introduction of shared taxi ride before the current fiscal year ends
- Out-of-sight drone flight operation over manned areas by FY2022

Corporate governance

- Governance standards for public companies with a controlling parent company

Reforms to social security system for all generations

Securing employment opportunities up to the age of 70

- Submission of a bill to the 2020 ordinary Diet session to develop diverse options in the legal system to ensure job opportunities for people in the ages from 65 to 70 years old

Promotion of mid-career recruitment and the recruitment of experienced individuals

- Prevention of diseases and long-term care**
 - Fundamental enhancement of the subsidy system to strengthen the prevention of diseases and long-term care (Insured Person's Effort-Based Support System, Long-Term Care Incentive Subsidy System)

Reinforcement of regional measures under population decline

Maintenance of community infrastructure and competition policy

- Submission of a bill on a special provision to the Antimonopoly Act (a time-limited measure) about transit buses and regional banks

Supplying human resources to regions

- Building a structure to promote further supply of human resources from metropolitan areas to regions

Human resource development, work-style reform, promotion of measures to increase household income

Human resource development

£ Free early childhood and tertiary education, etc.

- Free early childhood education and nurseries, as well as ensuring and improving their qualities, free tertiary education and effectively free private high school in FY2020

£ Reform of primary and secondary education

- Creation of a **multi-tracked** education system
- Informatization** of education: digitalization and standardization of data, utilizing **distance learning** at primary, secondary and tertiary schools of choice
- Building a structure to **prevent dropout, seamless support for those who have dropped out**
- Diverse** high school education: reform of general education program by classifying courses into categories to offer more characteristic education, etc., cooperation between high schools and universities, development of regional talent and globally-minded talent
- Work-style reform at school: improvement of efficiency and selectivity of work, enhancement and improvement of teaching system and administrative work system

£ University reform

- Development of **skills required in “Society 5.0,”** such as conceptualizing and designing the future society
- Improvement of **STEAM education:** AI, mathematics and data science education
- Offering **practical vocational education** at professional and vocational universities and professional training colleges in cooperation with businesses, etc.
- Collaboration and consolidation among universities

£ Recurrent education

- Expansion of recurrent education at universities and specialized training colleges
- Leveraging insight and know-how of private businesses to the maximum in areas such as talent development
- Utilization of early graduation system, long-term study system, credit accumulation system, and more flexibility in obtaining degrees

Work-style reform

- Correction of long working hours, realization of diverse and flexible working styles, introduction of equal pay for equal work

Promotion of measures to increase household income

£ Support program for the “employment ice-age” generation

- Approximately **1 million people are expected to be subject to support**
- Aiming to **increase regular employees by 300,000**
- Dissemination** of initiatives from regions where advanced social participation support is provided
 - Bring the conditions and needs of the subjects to light, and building a structure to deliver support to those in need
- Seamless support from consultation and educational training to employment**
 - Establishment of a well-tailored, escort runner-style employment consultation structure
 - Establishment of easy-to-receive, promptly-effective recurrent education
 - Building an environment which leads to the increase of hiring opportunities for businesses
 - Utilization of private-sector know-how
- More carefully and closely provided support tailored to individual circumstances**
 - Outreach development
 - Expansion of the circle of support
- Building and utilizing a platform as a public-private collaboration scheme

£ Raising minimum Wage

- Implementation of drastic support measures such as persistently providing attentive support to SMEs and microenterprises working on improving productivity, as well as aiming for subcontractors to shift the increased labor costs to prices
- Regarding the minimum wage, considering that it has been raised by **approximately 3% annually over the past 3 years**, and that economic and price trends need to be observed, and in conjunction with the efforts to **create an environment where a pay raise becomes easier for SMEs and microenterprises**, the Basic Policy aims for the national weighted average to reach **1,000 yen at an earliest possible timing**
- Continuing to study the minimum wage, including conducting an analysis of the reason for Japan's low wage level compared to other advanced nations

Establish a System Suitable for the Age of “Society 5.0” Part 2

Promotion of regional revitalization

Correction of the monopolar concentration in Tokyo, creation of new movement of people to regions

Increasing the “population with ties” which has a continuous relationship with a certain region in diverse forms, promotion of **dual-habitation and dual-employment**

Flowing back of private-sector human resources to local businesses and regions, such as fundamental expansion and improvement of the “Professional Talent Project”

Fully leveraging new technologies through “Smart Cities”: sophisticated logistics by utilizing infrastructure data, promotion of adopting next-generation mobility

Promotion of donations in “Corporate Version of Hometown Tax Donation”

Support for SMEs and microenterprises

Support to **recruit work-ready core human resources** through regional financial institutions and regional chambers of commerce

Improvement of productivity including optimization of the overall supply chains

Facilitating third-party successions as well as starting businesses by taking over management resources

Creation of a credit-guarantee system which **does not require a guaranteed successor**, reduction of the **guarantee fee to as low as zero**

Promotion of disaster prevention and reduction measures

Revitalization of regional industries

Revitalization of the tourism industry

- **Increasing international visitors to 40 million in 2020 and 60 million in 2030**
- **Unified promotion of individual regions to overseas markets** by the government tourism agencies
- Ensuring safety and security of international visitors in times of emergency
- Development of tourism contents utilizing regional resources
- Congestion measures to create sustainable tourism destinations
- Revitalization of **extensive sightseeing routes** and night-time sightseeing

Revitalization of agriculture, forestry and fishery industries

- **Smart agriculture** through the promotion of technology implementation
- **Innovation in forestry**: production and management of log using ICT
- **Smart fishery**: leveraging and using data, improving productivity of value chains
- **Prevention of the outflow of high-quality plant varieties to overseas** and enhancement of breeding new plant varieties through strengthening national plant variety protection system.
- Prevention of the inappropriate outflow of wagyu Japanese beef's genetic resources to overseas

Regional revitalization by bringing vitality from abroad

- Virtuous cycle of **cultivating overseas markets through exporting local products**, and gaining inbound demand through increased international visitors and **attracting visitors to local regions**
- Promotion of inward foreign direct investment (FDI) to regions: **increasing the inward FDI stocks to 35 trillion yen by 2020**

Cooperation with the global economy and society

Commitment to sustainable growth at the occasion of G20

Exerting further leadership as the chair of the G20 to **strengthen international cooperation**

Confirming the importance of appropriate operation of policies and international cooperation by each member nation of the G20 to **realize sustainable and inclusive growth of the global economy**

Promotion of economic partnerships, making the 21st century trade rules, such , as international standards

International standardization of free and fair, 21st century rules in TPP11 and Japan-EU EPA
Reaffirming that **the multilateral trade system is the foundation of growth and advancement of the global economy**, and promoting the WTO reform
Accomplishing an early achievement of trade talks between Japan and the U.S.

Contribution to environmental and global issues, with a focus on SDGs

- Promotion of infrastructure development based on the “G20 Principles for Quality Infrastructure Investment,” etc.
- Realization of a “**Decarbonized Society**” as early as possible in the **second half of this century based on The Long-term Strategy under the Paris Agreement**.
- Agreement on shared recognition about actions on **marine plastic litter** at G20
Promotion of the 3Rs for plastic waste, mandatory fee charging for plastic bags, innovation on alternative materials
- Overseas expansion of healthcare industries under the Asia Health and Human Well-Being Initiative and the Africa Health and Human Well-Being Initiative

Taking the lead in creating rules and framework of cross-border data flow, etc.

Reconstruction from the Great East Japan Earthquake

- Establishment of an organization succeeding the Reconstruction Agency under the responsibility and leadership of the government, which will act as the control tower as its predecessor has to eliminate vertical divisions in ministries and agencies

Virtuous Cycle of Economic Revitalization and Fiscal Consolidation

Steady promotion of the New Plan to Advance Economic and Fiscal Revitalization

Promotion of the integrated economic and fiscal reforms under the basic policy of “Without economic revitalization, there can be no fiscal consolidation”

Formulation of a budget in line with the “benchmarks” in the “foundation-reinforcement period” (FY2019 – 2021), in an aim to achieve the **fiscal consolidation targets in FY2025**

Conducting **progress management and outcome evaluation of the reforms using the KPIs on the reform time schedule**, while promoting the integrated economic and fiscal reforms steadily

Efficient and high-quality administrative and fiscal reforms through next-generation administrative services

Enhancement of efficiency of administrative procedures through digital government

- **Standardization of the information systems and data of local governments, etc.** under the **support led by the central government, including funding**
- **100% digitization of administrative services** by thoroughly moving administrative procedures, etc. online
- **Mitigation of the burden of administrative procedures for social insurance and subsidies** for SMEs, etc. starting April 2020
- Formulation of a **plan to fundamentally promote the use of AI, ICT and cloud computing** in local government administration

Promotion of efficient and effective budget implementation

- **Strengthening the unified management of the government information system** from the requesting to implementation of the budget
- **30% reduction of system upgrade costs by FY2025 compared to FY2020**

Promotion of administrative reforms, including the EBPM

- Development of official statistics to help proactive use of data, fundamental improvement of government statistics
- Consideration of official contracts and dissemination measures such as **outcome-based incentives**, etc. to draw out private-sector funds
- Raising the retirement age of public servants and thorough ability- and performance-focused performance rating, drastic overhauling of public services

Reforms in major policy areas

Social security

- **Strengthening the foundation of social security system by 2022** when the baby-boomer generation starts reaching 75 years old
 - **Pensions and long-term care**: reaching a conclusion before the end of 2019, with a view towards necessary revision of laws
 - Medical care, etc.: deciding on policies to work on in the **“Basic Policy on Economic and Fiscal Management and Reform 2020,” including the modalities of benefits and burdens**
- Promotion of disease prevention, prevention of increased severity, and health
 - Comprehensive efforts to **improve the metabolic syndrome health checkup rate and the cancer screening rate of the people their 40s and 50s**, who are in the prime of their careers
 - Implementation of measures for risk reduction, early-detection and early-intervention based on the **“National Framework for Promotion of Dementia Policies”**
- Consideration of **continuing the limited-time reduction of employment insurance premium and state contributions**, etc.
 - Medical and long-term care reforms
 - **Improving the productivity by 5% in the medical and welfare services and by 7% in doctors in 2040**
 - **Comprehensive reform of medical care provision system**: community medical care vision, measures to correct maldistribution of doctors, work-style reform for doctors, etc.
 - Enhancement of insurer functions: nationwide dissemination of advanced and excellent practices such as the **elimination of extra-legal transfers** to the National Health Insurance system, and the **unification of the intra-prefectural insurance premium levels**, etc., by systematically increasing the ratio of **evaluation based on the outcome index**
 - Shift to a pharmaceutical industry that is highly capable of drug discovery, and **promoting a fundamental reform of the drug pricing system**
 - Medical treatment fee: consideration of **more appropriate evaluation of dispensing fee**, etc.

Social infrastructure

- **Realization of “Smart Cities”** through **developing and managing data-driven infrastructure** and encouraging private-sector investment
- Clarification of important products such as developing an environment to accept inbound visitors, improving the productivity at construction sites by 20%
- Consideration of specifics to introduce PPP/PFI into infrastructures which do not generate cash flow easily
- Longer service life for public facilities, optimization of public capital stock by reorganization and consolidation of public facilities

Local public administration and finance

- Acceleration and expansion of expenditure reforms that are in sync with the initiatives of the national government based on the “benchmarks”
- Enhancement of **support for local governments working to achieve specific outcomes** on important issues regarding regional revitalization
- Specifying the subjects and processes to **improve the degree of freedom for subsidies** so that new regional ideas and ingenuities can be leveraged
- Consideration of expanding regional fiscal measures for local governments which proactively work on **broad-based partnership** projects

Education, science and technology

- Establishment of **effective, evidence-based PDCA cycles in national and regional education policies**
- Visualization of the **costs and effects of science and technology policies** including research findings and funds

Acceleration and expansion of policy efforts in expenditure reforms, etc.

- 🌀 **Implementation and expansion of “visualization”** : establishment of an effective PDCA cycle on the expenditure reform efforts in individual areas by using data obtained through visualization
- 🌀 **Nationwide dissemination of advanced and excellent case examples** : strategic nationwide dissemination of projects using AI, ICT, etc. which are effective in standardization of operating procedures and cost reductions, after specifying the measures, timing and KPIs
- 🌀 **Incentive reforms** : appropriate implementation of the assessment of the effects of incentive measures. Consideration of necessary response measures to build a structure for more effective incentives.