

Basic Policy on Economic and Fiscal Management and Reform 2020

(July 17, 2020)
(Cabinet Decision)

The **content of the** Basic Policy on Economic and Fiscal Management and Reform 2020 is as described in the Attachment.

(Attachment)

Basic Policy on Economic and Fiscal Management and Reform 2020
—Overcoming the Crisis and Moving Toward a New
Future—

July 17, 2020

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Based on the premise that dealing with the novel COVID-19 is the most urgent issue facing the government in the current circumstances, the “Basic Policy on Economic and Fiscal Management and Reform 2020” sets the major direction for future policy and narrows down the number of items as coordinates the pace and simplifies, in full measure, the mechanisms and procedures for formulating the FY 2021 budget formulation simplifies its mechanisms and procedures in full measure.. Items that are not discussed in this Basic Policy but were included in the “Basic Policy on Economic and Fiscal Management and Reform 2019” (Cabinet Decision of June 21, 2019) will continue to be implemented.

Chapter 1. Toward the New Future overcoming the COVID-19 Crisis

1. The current economic and fiscal condition under the global crisis in Japan

The world is currently facing a crisis of historic proportions. The novel COVID-19 disease (hereinafter, “disease”) has spread from its center of gravity in China to the United States (U.S.), Europe, Latin America, Africa and the Caribbean, and the rest of the world, leading to 13 million cases of infection and 580,000 deaths.¹ The huge impact of this pandemic has affected not only people’s lives and livelihoods but has also impacted economies, societies, the international political and economic order, and even people’s behavior, attitudes, and value systems. Because the disease’s impact is so far-reaching and long term, the prevailing view is that in post-pandemic, after the disease has been brought under control, our lifestyle will change to a new dimension so-called “New Normal Lifestyle”. With the rise of nationalism and the movement toward global digitization, the make-up of the global political economy is undergoing a major transformation, and this will unavoidably have a major impact on the future of free trade and other parts of the world order. As the pandemic breeds turmoil and instability, the world is also becoming fragmented at every level of society (be it local, regional, national, or international).

We are facing a major turning point in history, and Japan’s future will be determined by whether it can implement the reforms that it has embarked upon in recent years.

(1) Current economic conditions in Japan under the pandemic

The government confirmed its first COVID-19 case in Japan on January 15, 2020. The disease then spreads rapidly in late March, until the number of new cases reached 708 on April 10.² On April 7, the government declared a state of emergency under the Act for Special Measures for Pandemic Influenza and New Infectious Diseases.³ The initiative made progress as the entire country united, including national and local governments, experts, and the business community. As a result, the daily number of new cases declined, and the state of emergency was rescinded on May 25. Japan has kept its number of cases and deaths per population at an extremely low level among the developed nations.

However, the disease has had a major impact on the nation’s economy, and Japan has faced an unprecedented situation that is truly a national crisis. Overall, Japan’s economy is in an extremely severe situation. The drop-off in economic activity due to the

¹ Published by Johns Hopkins University in the U.S. (as of July 17, 2020).

² Number of reported new positive cases broken down by day in public documents released by the Ministry of Health, Labour and Welfare.

³ The Act for Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response (Act Number 31, 2012).

pandemic has extended beyond the manufacturing industry, which is susceptible to economic slowdowns in emerging markets and the entire overseas economy, to encompass the service industry. As a result, the employment situation, which is particularly critical to people's livelihoods, has been adversely affected, the number of workers on furlough due to the disease has skyrocketed,⁴ and companies are doing their utmost to preserve jobs.

Looking ahead, although the economy is expected to start pulling out of this extremely severe situation as measures are adopted to prevent the disease's spread and gradually raise the level of socioeconomic activity as various policy measures take effect, as long as any risk of the disease remains, the economy and society will not just go back to the way they were. Considering the peak of the crisis to be the period in April and May 2020 in which the state of emergency declaration was in effect, the government plans to support the economy so that it will be able to return to a domestic demand-led growth path while simultaneously preventing the disease's spread and spurring socioeconomic activity.

This pandemic is attacking every country's weaknesses, and in Japan, it has shone a light on the country's risks and challenges, delayed existing initiatives, and given rise to new tactics. For example:

- When measures to counter this disease were implemented, the ensuing delays and confusion with regard to some payment application procedures and payroll operations made it apparent that Japan's administrative aspects, in particular, are lagging in digitization and in moving online.
- The current pandemic has reminded people of the risks involved in the high population density of major cities and in daily activity when living in close quarters, as well as the risk of having the country's economic and other critical functions concentrated in one place.
- While people's movements have been restricted during this pandemic, the implementation of and acclimatization to teleworking and remote services, such as distance healthcare and distance learning, have caused people to change their attitudes so that more people are considering changing their workstyles and moving to outlying areas.⁵
- There is a shortage of human resources specialized in the digital field who can use

⁴ According to the seasonally adjusted numbers from the Cabinet Office based on the Ministry of Internal Affairs and Communications' Labor Force Survey, the number of people on furlough totaled 6.52 million in April 2020 and 5.01 million in May 2020 (compared with an average of 1.76 million in 2019).

⁵ According to the Cabinet Office's Survey on Changes in Lifestyle-related Attitudes and Behavior as a Result of the Novel COVID-19 Disease (released June 21, 2020), an average of 34.6% of people nationwide have done telework and 39.9% expect to engage in telework in the future. Another example is that 35.4% of those in their 20s and living in the 23-ward area of Tokyo responded that they have become more interested in moving to outlying areas.

new technologies. Moreover, Japan's past strength in innovation has significantly eroded and its international competitiveness is receding in many fields.

- Due to the pandemic, people who are in disadvantageous positions—such as non-regular employees, freelancers, and owners of small businesses and microenterprises, who have seen their livelihoods and business conditions become more difficult—have fallen on hard times and are suffering. If this situation becomes the norm, disparities will grow and the society may become divided.
- The acceleration of digitization, automation, and the use of artificial intelligence (AI; i.e., the digital transformation (DX) in the broad sense) is raising concern about an international oligopoly developing in terms of data distribution and the digital economy. For these fields and others, it is urgently necessary to formulate international standards and new rules that are autonomous and fair, and Japan needs to take a proactive role in this endeavor.
- Restrictions on the movement of people and goods have revealed the weaknesses of supply chains that rely on certain countries and regions for supplies of basic daily commodities and of parts that are essential to manufacturing.

There are also structural problems associated with the sustainability of our social security and finances, as Japan will be issuing more than 90 trillion yen of new government bonds this fiscal year, the highest volume since World War II. Besides this, the fourth industrial revolution is approaching, energy and environmental restrictions are increasing, and large-scale natural disasters are becoming more frequent.

(2) International political, economic, and social conditions during the COVID-19 era: Disruptions to the international order

The current global crisis has three major characteristics.

First is the plunge in the global economy and increasing economic uncertainty. The economy is being hit by the biggest recession since the Great Depression, as economic growth is forecasted to be negative in 2020,⁶ and this recession has spread on a global scale. Preventing the pandemic's spread has necessitated restrictions on economic and social activities and movement, and the spread of the adverse effects—as the pandemic expanded domestically and overseas—has had a huge impact on economies of all countries, so that the outlook for recovery remains unclear. Given this situation, citizens' expectations of the role of government have increased, and countries have embarked on large-scale fiscal programs to support their citizens' jobs, businesses, and

⁶ Although they differ depending on their assumptions, forecasts for the real global gross domestic product (GDP) growth in 2020 are -4.9% by the International Monetary Fund (IMF; released in June 2020), -5.2% by the World Bank (WB; released in June 2020), and -6.0% by the Organisation for Economic Co-operation and Development (OECD; released in June 2020; single-hit scenario).

livelihoods.

Second is the concern about maintaining the free trade system. The pandemic has led to restrictions on the movement of people, commodities, and money, which are the foundation of economic activity, and as national economies everywhere stagnate, the foundations of the free trade system are being disrupted, which may lead to the expansion of protectionism. This is visible in the further deterioration of U.S.–China relations and the spread of patriotism and economic nationalism.

Third is the ongoing deterioration of global cooperation and international fragmentation. The paradigm for global leadership is now being questioned despite a keen awareness of the importance of transcending borders, having global society to cooperate, and collaborating with its collective wisdom to develop medications and vaccines to counter this disease, to coordinate their macroeconomic policies, and to respond to global environmental problems.

2. The New Future in the post-pandemic

With the world now confronting major changes, Japan needs to look ahead to a new era and launch social reforms that are geared toward the future. It is essential to embark on initiatives to revolutionize our nation from the standpoint of the government, business, and individuals by sharing an acute crisis mentality that Japan may be left behind and disappear from the global arena otherwise.

As nations compete with each other in search of what the post-pandemic “New Normal Lifestyle” should look like, uncertainty remains about the future, including the spread of the disease. Although it is difficult to make accurate predictions about the future, after we overcome the challenges manifested by the pandemic, the government will aim for a high-quality economic society in this “New Normal Lifestyle” as a basic direction in the paradigm of an economic society for the new future. That is, the government will build a “New Normal Lifestyle” that activates the unique strengths, attributes, and soft powers that Japan possesses while incorporating changes and welcoming diversity to raise our ability to withstand risk. In doing so, the government will both increase our value-added productivity and—broadly distributing the fruits of our economic growth—achieve high-quality, sustainable economic growth in which no one is left behind and each and every citizen can experience an inclusive and prosperous life.

The government is specifically aiming to achieve a society that possesses the three attributes detailed below.

●A society in which individuals can flourish and prosperity is accessible to all

The government aims for a society in which individuals have a sense of prosperity in

achieving a work–life balance wherein they can pursue independent workstyles and lifestyles. The government also aims for a society that gives people room to fail because it has internalized change and has a wealth of freedom and flexibility so that diverse human resources can utilize their creativity to bring about innovation. Beyond this, the government aim for a society that can create high value-added goods and services, protect personal information, and where everyone can enjoy efficiency, convenience, and peace of mind.

●An inclusive society where all can feel that life is worthwhile and no one is left behind

The government aims for an inclusive society that invests in people regardless of their age or gender, where everyone is able to put their skills to use and is provided with an adequate safety net, and where all can feel that life is worthwhile. The government also places high value on supporting linkages among people in regional societies and communities. The government aims for a society that gives comfort to people who are uneasy and where no one will be left behind.

●A nation regarded as essential and that garners the trust and respect of the international community

As the world seeks a new paradigm for the flow of people and things, the government aims for an economy that supports the foundations of free and fair trade and investment and that benefits from the advantages thereof. The government also aims to be a nation that takes a leading role on the international stage in building and strengthening international cooperation and partnerships through creating a circular economy that is sustainable and in tune with the environment, by responding to climate change and other global challenges and proactively contributing to formulating guidelines for a new world order, maintaining and expanding free trade, and establishing the rule of law.

To achieve such a new economy for the future that lies ahead, it is needed to achieve a “New Normal Lifestyle” that protects citizens’ lives, livelihoods, jobs, and businesses by coping with increasingly severe and frequent disasters and gradually increasing economic activity as the government deals with the pandemic.

3. Protecting citizens' lives, livelihoods, jobs, and businesses:

Economic strategies during the crisis and dealing with the damage from the increasing severity and frequency of disasters

It goes without saying that this is the government’s greatest responsibility to protect citizen’s lives, livelihoods, jobs, and businesses. No matter what tribulations it comes

up against, the government will do everything possible to create a society where citizens can feel safe and have peace of mind.

For dealing with the spread of the disease, Japan is now at the phase of gradually ramping up its economic activity while continuing to implement measures to counter the disease. The government is now formulating detailed disease-prevention measures and intending to gradually increase the nation's level of economic activity. First, the Government the government is prioritizing preventing and controlling the pandemic and preparing for the next wave; this is the most effectively economic measure as well. The government continues to pursue improvements in the testing system and other disease-prevention measures as well as in the medical care supply healthcare delivery system to speed up the development of pharmaceuticals and vaccines and contribute to the international disease-prevention efforts. The government also intends to extend aid that will support people's lives by protecting jobs and support business continuity, and in case for the unexpected situation, the government will maintain the stability of the financial system. At the same time, the government will promote measures to revitalize and support the economy by concentrating on bolstering domestic demand and stimulating consumption and investment.

With determination to protect Japan's economy from this once-in-a-century crisis, and to prevent the economy falling back to deflation. Based on this resolve, the government will promote flexible and all-encompassing policy responses for the COVID-19 era.

In recent years, damage to people's lives and assets from increased and extensive flooding caused by major typhoons, rainstorms, and other natural disasters has become increasingly serious and more frequent. As an urgent response to this situation, the government will join forces with our citizens to prevent and reduce the number of disasters and pour our efforts into creating a resilient land.

4. Achieving the “New Normal Lifestyle.”

As we saw in Section 1, the current global pandemic is causing a huge change, or a paradigm shift, across the world. The moves toward digitization that were breeding fierce international competition among counties prior to the pandemic are accelerating this change.

Digitization not only drives future economic growth by raising productivity but also plays a key role in facilitating greater convenience and affluence in life. Japan, too, has been working on an initiative to bring about Society 5.0, for which digitization is the driving force. However, its implementation was stymied by delays in preparing the social infrastructure, especially in the area of government, and it became apparent that we would be taking a back seat to countries who are on the leading edge. Achieving

digitization and Society 5.0 entails a structural reform of the economy. We cannot delay in promotion of the DX of society at large, by revolutionizing our institutional, policy, and organizational paradigms, including those of the government.

In view of this opportunity for social reform that will move ahead in a new direction with the changes that the current pandemic has wrought on people's attitudes and behavior, the government will achieve a "New Normal Lifestyle" by going full speed into the future, promotion of a revolution that would take 10 years under normal circumstances. The government will do this while resolving challenges that have accumulated over the years, such as the low birthrate and aging population, declining value-added productivity, and the monopolar concentration on Tokyo.

In particular, the government will bring about Society 5.0 by seeking Japanese economic growth that looks toward the future and concentrating our efforts on digitizing our entire society as this will be the driving force of the "New Normal Lifestyle."

Then, as the government rolls out Society 5.0 on a nationwide basis to achieve regional revitalization; the government will create attractive local communities that are prosperous and easy to live in. This is also linked to the creation of a land that has the resilience to deal with disasters and other risks.

As the foundation underpinning this "New Normal Lifestyle," the government will create an inclusive society and encourage investment in people and innovation, thus spurring the creation of a vigorous economy for the new world order.

(i) Preparing the groundwork for concentrated investment in and implementation of digitization, which is the driving force in constructing the "New Normal Lifestyle" (The Digital New Deal)

The government will actively promote digitization throughout Japanese society. First, the government speeds up initiatives such as moving administrative processes online and making these processes into one-stop, once-only procedures by giving foremost priority to digital government among our policy challenges and. The government will also promote DX in the private sector and encourage an environment that induces innovation and private-sector investment.

In addition, along with expanding the role of women and taking steps to deal with the low birthrate, the government will promote reforms toward new workstyle and lifestyle including encouraging telework and achieving work-life balance. The government will furthermore advance revisions to systems and practices, which accelerates change, through regulatory reforms.

(ii) Creating communities where the “New Normal Lifestyle” is in effect

The government will strive to create a country that participates in multilateral partnerships⁷ from the standpoint of both nationwide crisis management and the revitalization of regional communities to correct the monopolar Tokyo-centric model. The government will also encourage the revitalization of the tourism industry, primary industries, small and medium enterprises, and other industries and communities that have local ties.

⁷ Communities (nuclei) of individuals and businesses are dispersed throughout the country and form mutual partnerships with each other. Nuclei are envisioned as government ordinance-designated cities, core cities, and other smart cities.

(iii) Ramping up investment in people and innovation

Since more human resources is needed to serve as the impetus for social reform in achieving the “New Normal Lifestyle,” the government will enhance our educational system to promote the development of human resources who can identify and resolve challenges and employ creativity. In addition, the government will achieve economic growth by speeding up scientific and technological innovations that improve productivity.

Focusing our efforts on investment in the so-called intangible assets in the three fields of digitization, human capital formation, and innovation will open the door to future growth.

(iv) Achieving an inclusive society that supports the “New Normal Lifestyle”

To achieve an inclusive society where every citizen can have peace of mind and a meaningful life and where no citizen is left behind, the government plans to promote measures that raise incomes and prevent the widening of disparities by giving aid to women, young people, and other groups who are experiencing difficulties, and by building a social security system that will support the “New Normal Lifestyle.” The government will also foster social partnerships and mutual aid.

(v) Achieving a vibrant Japanese economy in a new world order

The government will aim Japan to become a key strategic position in global society. A global economic system based on independence and fair rules must be maintained, and Japan will play a key role in this endeavor. Japan will proactively take part in new global cooperative efforts by strengthening its international cooperation and partnership programs will take part in resolving global issues, including initiatives to prevent pandemics and address environmental problems.

The government will build a robust economic and social structure that can handle risk. From the standpoint of economic security, the government needs to formulate not only “just-in-time” programs that emphasize efficiency but also “just-in-case” programs that can deal with any risks that may arise; this will entail diversifying our supply chains, which will help us become more flexible and robust.

The government will formulate an implementation plan of major items of these five pillars with firm resolve within this year in order to achieve “New Normal Lifestyle” as soon as possible.

5. Short-term principles in economic and fiscal management and “Integrated Economic and Fiscal Reform” in view of the pandemic

(1) Short-term principles in economic and fiscal management and guiding principles in budget formulation for FY 2021

For the present, the government will place our priority on preserving jobs for citizens, especially those who have been laid off or furloughed, and the government will pursue economic and fiscal management with the determination that the government will never make the economy return to deflation. Doing these things will speed up the process of reaching our “New Normal Lifestyle.” To this end, the government will promptly implement the first supplementary budget for FY 2020, which includes emergency economic measures to counter the novel COVID-19 pandemic,⁸ as well as the second supplementary budget for FY 2020. The government will also closely monitor the state of the pandemic and economic trends both domestically and abroad as well as their impact on citizen’s lives so that the government can seize the opportunity to respond appropriately and as necessary according to the situation, including the use of funds from the novel COVID-19 disease policy reserves.

While the Bank of Japan continues to support financing, mainly of firms, and to maintain stability in financial markets by conducting measures including the Special Program to Support Financing in Response to the pandemic. The government expects that the Bank of Japan will continue conducting appropriate monetary policy in response to the current severe economic conditions, and pursue monetary easing under its price stability target of two percent, taking account of developments in economic activity and prices as well as financial conditions.

The deadline for submitting preliminary budget requests for the FY 2021 budget has been extended by one month, and the mechanism and procedures for submitting budget requests will be simplified as much as possible. Formulation of the budget will be based on the directions indicated in the “Basic Policy for Formulation of the FY 2021 Budget” with monitoring of the development of pandemic and its impact on the economy and people’s lives.

(2) Promotion of “Integrated Economic and Fiscal Reforms” in view of the pandemic

The pandemic is giving rise to new lifestyles and businesses. The government aims to achieve a high-quality economy as the government builds the “New Normal Lifestyle,” and the government will push for reform that anticipates the use of digitization and other new developments in the Japanese society. To this end, under the basic policy of “Without economic revitalization, there can be no fiscal consolidation,”, and in view of

⁸ Cabinet Decision of April 20, 2020.

the fact that the baby boomer generation will start to turn 75 years old in 2022, based on the likes of the Basic Policy 2018⁹ and the Basic Policy 2019,¹⁰ the government plans to speed up the transition to digital government and take other steps to prioritize our challenges and respond flexibly. The government will flesh out the reform process by the end of 2020 so that the government can integrally promote economic and fiscal reforms.

In shifting over to the next-generation administrative services as soon as possible, the government will focus our initiatives on dealing with the lagging digitization of government functions (which has become apparent during the pandemic), on adopting new technologies, and implementing a targeted reform of our organizational paradigm (including our systems, policies, and bureaucracy) within a year. The government will also focus on standardizing the administrative processes and data systems of the national and local governments so that they can be shared and the government can speed up the transition to an overall digital government, in addition to focusing on promoting digitization and use of the cloud by local governments, and on fostering platform-type businesses through partnerships between the government and the private sector.

In the area of social security, the government is aware of the challenges to the healthcare and long-term care systems brought on by measures taken to counter the pandemic. The government will thus transition to digital and online systems to build a flexible and robust healthcare delivery system. While maintaining our world-class universal health insurance system, the government will gradually reform the social security system within the foundation reinforcement period so that it can be succeeded on to the next generation in a more sustainable structure, thereby fortifying its foundation by 2022 when the baby boomer generation starts turning 75 year old.

Considering growing interest in rural migration in Tokyo metropolitan area, as the pandemic has made them aware of the risks posed by the monopolar concentration in Tokyo, the government will bring about a nation that is modeled on multiregional partnerships by creating new population influxes to regional communities through the social implementation of smart cities, the development of Science, Technology, Engineering, Art, and Mathematics (STEAM)¹¹ human resources by regional universities, and promoting dual residences and occupations. In all, the government will form national–local partnerships, promote the sharing and geographical reach of public services that enable multiple local governments to take care of broad areas, and establish sustainable local public administration and finance structure that will be able

⁹ Basic Policy on Economic and Fiscal Management and Reform 2018 (Cabinet Decision of June 15, 2018).

¹⁰ Basic Policy on Economic and Fiscal Management and Reform 2019 (Cabinet Decision of June 21, 2019).

¹¹ Science, Technology, Engineering, Art, and Mathematics.

to handle the changing demographic in the future. Additionally, the government will enhance the zeal for reform by promoting transparent local government and fiscal operations, and the government will support the dissemination of efficient innovations and advanced and excellent case examples.

For provisions in terms of social infrastructure, the government will strive to improve productivity based on digitization and integrating smart technologies, increase their lifespan through more efficient and sophisticated preventive safety measures and optimize our public assets by consolidating them. The government will also consider securing financial resources, from the viewpoints of the beneficiary-to-pay principle and appropriate maintenance. As regards the development and management of public facilities, the government will incorporate private-sector ingenuity as much as possible using public-private partnerships (PPPs), such as private finance initiatives (PFIs). In addition, the government will strive to make public utilities more efficient and promote strategic and ground-breaking initiatives that encourage stable and sustainable public investment over the medium to long term.

To improve the quality of education and allow us to weather an unpredictable future together, the government will employ active learning, online learning, and external human resources to achieve a deeper level of learning that is tailored to the individual, developing human resources who possess creativity and the skills to identify and solve problems. To this end, the government will promote enhanced financial assistance that is determined by the quantitative outcomes of education and research. In addition, our policies on science, technology, and innovation will focus on fields that can resolve social issues, such as research into new medications, the trend toward digitization and doing everything remotely, and the use of robots and AI. Here, the government plans to enhance the quality of the budget, promote strategic investment in research and development through PPPs, and become “the country best fit for innovations.”

The government will maintain and promote sustainable economic growth despite the major changes taking place with Japan’s economic and social structures, such as rapid falling birthrate and aging population, changing workstyles, and the building of the “New Normal Lifestyle,” based on of the Basic Policy 2019 and the mid-term report of the Tax Commission,¹² In addition, it will proceed with an overhaul of the entire tax system from the perspective of constructing a stable base for tax revenue that will not impede economic growth. Furthermore, with the development of globalization as well as digitization and the expansion of new economic activities, the government will strengthen measures of both the institution and execution in order to realize proper and

¹² Keizai shakai no kozo henka wo fumaeta Reiwa jidai no zeisei no arikata [An optimal tax system for the Reiwa era in the light of changes in the socioeconomic structure] (September 26, 2019).

fair taxation and to ensure credibility of the tax system..

In the promotion of “Integrated Economic and Fiscal Reforms”, the government will prioritize our budget allocation to the effective measures which are supported by evidences and to the data collection, and thoroughly promote wise spending by strengthening the evidence-based policymaking (EBPM) structures, budget prioritization and the connection between the multiple-year-measures and budget formulation process. The government will thus combine EBPM with the visualization, the national rollout of cutting-edge examples of best practice and the incentive reform which encourage the changes in awareness and behavior among all strata of the population and lead to fiscal soundness.¹³ The government will strengthen the EBPM framework under the Council on Economic and Fiscal Policy with the knowledge from experts. The government will furthermore streamline our strategic system so that the government can speed up data usage, which is the foundation of EBPM. As a part of initiatives, the government will visualize people’s well-being and reflect the result in the key performance indicators (KPIs) for each field.

In view of our responsibility to future generations, constantly striving toward this “Integrated Economic and Fiscal Reforms” will enable us to achieve high-quality, sustainable economic growth and a sustainable fiscal regime for the long term.

Chapter 2. Protecting people’s Lives, Livelihoods, Jobs, and Businesses

1. Dealing with the pandemic and gradually ramping up economic activity: Economic strategy during the COVID-19

Japan is now at the phase of gradually ramping up its economic activity while continuing to implement measures to counter the pandemic. It will be difficult for economic activities to return to the way it was and for the global movement of people to resume until pharmaceutical and vaccines are developed and made available to the public. However, assuming the continuing presence of the COVID-19, our most critical challenge in economic and fiscal management right now is to protect lives and livelihoods of the people. On the assumption that the economy was at its worst while the state of emergency was in effect this past April and May, the government is steadily returning Japanese economy to a sustained growth trajectory.

This pandemic has sent the global economy into its greatest crisis since World War II, and limiting economic activities domestically and abroad from the standpoint of

¹³ Initiatives that encourage forward-looking changes in behavior include visualization, horizontal expansion of cutting-edge best practices, revision of incentives, industrialization of public services, and work innovations that use technological reforms.

protection against the pandemic has caused economic activity to shrink as regards both supply and demand. In this sense, Japan is experiencing an unprecedented shock, which is having a particularly severe impact on those who are in a relatively disadvantaged position, such as part-time workers and freelancers. To achieve sustainable, inclusive, and high-quality growth in the post-COVID-19 era, it is needed to develop balanced policies that will prevent the disease's recurrence, protect people's lives and health, and achieve a robust economic recovery. Specifically, the government needs to bolster our testing and monitoring systems so that the government will be able to keep even a small outbreak of the disease from turning into a major wave. The government also plans to strengthen our healthcare delivery system, promote measures to prevent pandemics, and speed up the development of medical treatments and vaccines. The government will also protect jobs and businesses, as the government is strongly determined that there should be no further increase in the rate of layoffs and bankruptcies, and the government will do whatever is in our power to avoid returning to deflation by coming up with timely and appropriate measures to stimulate consumption and thus restore demand. Furthermore, it is necessary to dramatically step up the digital transformation by stimulating private-sector investment and innovation and creating an environment that is conducive to improving productivity and raising incomes. The government will thus implement emergency economic measures and the FY 2020 supplementary budget as soon as possible and closely monitor domestic and global conditions to respond appropriately if necessary.

(1) Strengthening the healthcare delivery system

To simultaneously protect against the pandemic and gradually increase economic activity, the government will clarify the basic thoughts on making strategic improvements in the testing capabilities in light of the existence of symptoms, the risk of infection and the accuracy of the testing regime. Specifically, with respect to those with symptoms, the government will make the testing regime more accurate as regards antigen testing and quicker test results. For those who are asymptomatic but have been in close contact with infected persons and thus have a high possibility of having contracted the disease, the government will broaden our PCR testing. Those working in healthcare, inpatients, nursing home residents, and the like will be proactively tested if there is the potential for infection. In such cases, to reassure people that they will be able to access testing promptly when necessary, the government will take deliberate steps to implement measures, including designing a rapid and effective testing regime through an optimal combination of PCR and antigen tests, improving our testing capabilities by promoting their wider use and making sure that private-sector testing facilities meet quality standards, opening more PCR test centers and expanding testing

institutions, and researching and promoting PCR testing and antigen testing with saliva.¹⁴ Furthermore, with an awareness of the limits of testing, such as getting false negatives and false positives, the government will consider how to test people other than the above so that people can safely pursue social and economic activities. The government will also make major improvements to our testing system at quarantine facilities in preparation for the reopening of the country to international travelers. Altogether, the government will take proactive steps to strengthen our system of public health centers as well as epidemiological surveys and measures to deal with clusters by bringing together and consolidating the mechanisms and systems for gathering and managing information about the disease. This includes building a system that can quickly share information about patients, as shown by the rapid creation and implementation of HER-SYS.¹⁵

The government will spur on functional improvements and the widespread adoption of contact tracing apps. We will also promptly consider any necessary legal infrastructure, etc., so that we can come up with a framework that can respond promptly, flexibly, and accurately at the national level when a major spread of disease.

As it is expected that the coming influenza season will coincide with a wave of the pandemic, the government will strengthen the testing regime as well as the healthcare delivery system so that the government will be able to respond adequately in the event of a surge in the number of domestic or suspected cases among patients with fever. To this end, for the healthcare delivery system, the government will partner with prefectural governments to ensure that there are enough hospital beds for suspected cases and, if necessary, will advance the construction of dedicated hospitals and hospital wards. Furthermore, the government will steadily implement programs to provide financial support to the healthcare industry. The government will provide aid to healthcare institutions by the remuneration increase in medical treatment fee and subsidizing their efforts to secure hospital beds and equipment, while for other healthcare facilities and pharmacies, the government will offer assistance in controlling the pandemic, maintaining and promoting transplants and other therapies, and increase financing for crisis situations. Through G-MIS,¹⁶ the government will be able to comprehensively and instantly ascertain the status of our healthcare delivery system, including the availability of hospital beds, the locations and availability of ventilators and other equipment, and staffing levels. The

¹⁴ PCR testing capability of approximately 32,000 tests per day, rapid antigen test supply capability of approximately 26,000 tests per day, and quantitative antigen tests (figures are as of July 14, 2020). Moreover, the national and local governments are working together to make the necessary improvements to the testing regime. Local governments are creating scenarios for test demand in the event that the disease spreads further, and they are reviewing the entire testing process from consultation to sampling to test analysis.

¹⁵ Health Center Real-time Information Sharing System on COVID-19 Disease 2019 (COVID-19).

¹⁶ Gathering Medical Information System on COVID-19.

government also plan to secure staff through the healthcare job site Key-Net, provide information to prefectural governments and others, facilitate the admittance of patients, and take other measures. The government will also step up the securing and stockpiling of disease prevention equipment, medical devices, bulk pharmaceuticals, and other supplies necessary for on-site medical treatment, as well as a domestic production system for such items. The government will ensure that Japan has sufficient residential care facilities and will continue providing the support necessary for their operation.

The government plans to strengthen the systems of the National Institute for Infectious Diseases and the National Center for Global Health and Medicine and create a system that offers coordinated programs.

Furthermore, the government will aid in pandemic-control efforts such as providing more at-home services and equipping long-term care and welfare facilities for disabled persons with more private rooms.

In addition to stemming the pandemic and making further improvements to the Self-Defense Force's disease response capabilities, the government plans to advance pandemic control efforts using AI simulations in impact analysis and other techniques.

Through the pooling of wisdom from Japan and the entire world, the government will continue to make progress in research into disease mechanisms, help speed up research and development of effective treatment methods, medicines, and vaccines, implement prompt reviews by prioritizing these programs as emergency measures, and swiftly put together a domestic production system, in addition to securing the necessary volumes of vaccines and medications and designing a program for administering vaccines.

The government will ascertain the situation of Japanese nationals who live abroad and strengthen our efforts to protect them. With respect to cross border travel, the government will comprehensively take the general state of the pandemic in Japan and abroad, the government will gradually open international travel that is essential to business as far as it does not impede the effort to prevent the spread of the disease. The government will engage in coordinated discussions with other countries and regions while maintaining border control measures to prevent any transmission or import of the novel COVID-19 from overseas. The government will also examine the scope for allowing the reentry of foreign residents who had temporarily returned to their countries.

To that end, turning our sights toward a wholesale reopening of international travel, the government will partner with international efforts toward digitization and bringing about a seamless society as regards certifications of PCR testing and the like, health reports, and procedures required for entering and leaving Japan.

(2) Maintaining employment and supporting livelihoods

As an immediate step, the government will make every effort to maintain employment by disbursing employment adjustment subsidies to business owners as soon as possible by, for example, simplifying the application process by putting it online and by the smooth implementation of leave support fund and allowance directly to employees of small and medium enterprises, who do not receive furlough allowances. Such payments would depend on the person's pre-furlough wages and the length of the furlough.

As for new graduates, given the disease's impact, the government will offer briefings, interviews, and other opportunities leveraging diverse communication tools, and will provide better job-hunting opportunities with flexible hiring schedules, the autumn hiring season or year-round hiring. Moreover, so that the government will not experience a second "employment ice age" generation, the government will proactively urge business community and other community to hire new graduates from a long-term perspective. The government will also proactively hire new personnel for the Self-Defense Force and support employment recruiting activities for prefectural police forces and fire departments.

Besides reemployment assistance programs enabled by strengthening the consultation support system for people who have been unavoidably laid off or terminated, the government will bolster the livelihoods of people who are in financial difficulty by strengthening housing assistance with housing securement benefits and special loans from the emergency small loan program and general support funds. The government will provide reliable support to low-income, single-parent households, to safeguard children's education, to high school and university students who are in economic straits due to sudden changes in their families' budgets, as well as all-around support to expectant and new mothers experiencing instability. The government also plan to improve and strengthen comprehensive legal support.

Although the number of job openings has declined due to the pandemic, the demand for labor is high in certain occupations, such as information technology (IT) and nursing. Furthermore, it is expected that the structure of demand for labor will be significantly different in the "New Normal Lifestyle." The government is therefore encouraging people to acquire the knowledge and occupational skills necessary for work by offering public vocational training and job-seeker support training to the unemployed. Besides striving to match job seekers with growth areas and occupations that need personnel, the government will also make efforts to smoothly secure human resources for fields such as healthcare, nursing, welfare services, and childcare by identifying the best job placement firms. While working toward facilitating smooth payments of employment adjustment subsidies, which aid job transfers and reassignments by private-sector firms, the government will also promote horizontal

expansion of the best practices involved in job matching beyond job types and locations, working in close cooperation with both businesses and workers. The government will also encourage telework and strive to upgrade recurrent education in response to the “New Normal Lifestyle” by developing online content for at-home learning, etc.

In the event that the state of the pandemic in Japan and abroad leads to a dramatic deterioration in the job market, the government will implement whatever steps are necessary and appropriate to maintain jobs and support people’s livelihoods.

(3) Maintaining business continuity and financial system stability

The government will continue to make strong efforts to support the continuity of small and medium enterprises, (henceforth, SMEs), sole proprietors, medium-sized companies, and major corporations by mobilizing every means, including the budgetary steps, and, tax system, and monetary measure, with stronger support systems, which should work to keep bankruptcies and business closures to a minimum, thereby safeguarding people’s jobs and livelihoods.

For medium-sized companies, SME, small-sized enterprises, and sole proprietors that have seen their sales plummet, the government will exhibit careful accountability regarding business models with respect to sustained benefits and rent assistance benefits aimed at reducing the burden of fixed costs. The government will also endeavor to disburse payments as promptly as possible through an online application procedure and a thoroughly implemented review and support system. The government will strongly urge business owners to reopen by investing in disease prevention measures that have their guidelines tailored to each industry, focusing on sectors where cluster countermeasures are especially crucial.

As measures to aid cash flows, the government will continue with steady implementation of loans with no interest and no collateral in effect and emergency response loans, which are meant to help business owners acquire ready liquidity, and the government will bolster business owners’ financial foundations by encouraging private financial institutions to offer financial assistance in the form of quasi-capital subordinated loans. Furthermore, the government will offer strong backup to new business initiatives, such as the digitization of start-ups and venture businesses, and improve and revitalize businesses through capital injections and additional funding.

Alongside the government’ effort , the Bank of Japan continues powerful monetary easing with a view to doing its utmost to support financing, mainly of firms, and to maintain stability in financial markets. The Government will continue to cooperate

closely with the Bank of Japan while sharing a sense of crisis.¹⁷ Besides making strong efforts to aid business continuity through cash flow support, from the standpoint of necessary prevention, the government will do whatever possible to stabilize the financial system, including utilizing mechanisms to inject capital into private-sector financial institutions in accordance with the Financial Function Strengthening Act.¹⁸

(4) Stimulating consumption and domestic demands

While economic activities are gradually resuming around the world, some countries still do not have a clear view on when the disease will be contained. Moreover, given that uncertainty about the global economy remains high, including the possibility of another wave of the disease, attempting a recovery that is centered on domestic demand is essential for the time being.

With respect to the recovery of private consumption, the government will protect jobs and livelihoods by quickly implementing diverse measures for assistance and strive to alleviate citizens' unease about the risk of infection by strengthening the testing system and developing and distributing vaccines and treatment medications as soon as possible. Moreover, looking ahead to the post-COVID-19 era, the government will continue to implement policies that bolster demand until a positive cycle of autonomous expansion of consumption is expected to be achieved under conditions of higher productivity and wages as an outcome of accelerating digitization and doing things remotely.

Specifically, for the tourism industry with its broad reach into local economies, focusing on domestic tourism that comprises 80% of tourism spending for the time being, the government will encourage reform of how lodging facilities operate, among other things, and will work to stimulate demand as economic activity gradually increases while thoroughly taking measures to prevent pandemic. The government will encourage people staggered vacations to shift their vacations away from peak seasons and promote more extended-stay travel that combines work with leisure. Further, in response to new lifestyle, including how people are eating, drinking, and attending events, the government will stimulate consumption by conducting "Go To campaign" with strong price incentives. In addition, the government will focus on infectious disease countermeasures for such tourist areas as the remote islands of Okinawa. Furthermore, as striving to disseminate My Number Card and improve the setup and functioning of this system, the government will further bolster consumption using My

¹⁷ Joint talks by Minister Aso (Deputy Prime Minister and Minister of Finance) and the Governor of the Bank of Japan on Countermeasures Responding to the Novel COVID-19 (COVID-19) (May 22, 2020).

¹⁸ Act on Special Measures for Strengthening Financial Functions (Act Number 128, 2004).

Number Point program to aid our efforts to steadily stimulate consumption .Although, cashless payments are becoming more popular not only from the aspect of disease prevention but also due to their convenience and the effect of My Number Point program, and the government will encourage the further reduction of merchant fees to increase their use by utilizing guidelines for cashless business operators. With regard to high bank transfer fees, the government is considering allowing superior nonbanks to join the bank-led inter-bank payment system, and the government plans to lower inter-bank transaction charges, which have remained unchanged for more than 40 years, to more reasonable levels. The government will develop a series of policy programs and especially, will adequately implement expeditious and necessary measures to support housing investment, including mortgage tax credit, whose, eligibility requirements have been relaxed due to the spread of COVID-19.

While business investment is being set back in some cases due to the effect of the disease, software investment remains firm. In addition to supports for resilient supply chains, the government is also strongly bolstering forward-looking investments that will further social change, such as those relating to digitization and doing things remotely. Moreover, by dramatically speeding up the digitization of government services and encouraging startups, the government will increase productivity and vigorously promote initiatives toward private-sector investment and innovation linked to the creation of new goods and services in line with the “New Normal Lifestyle.” The government will therefore speed up research and development in cutting-edge fields such as AI, quantum technology, and hydrogen decarbonization, To accomplish this, the Government will consider various means, including reform of the tax and regulatory systems and financial assistance via capital contributions, additional funding, and the budgetary measures, such as starting with the Project to Promote a Revolution in SME Productivity, which is a multiyear initiative.

With regard to public investment, the government will be stalwart in supporting the economy by smoothly and steadily implementing many of the projects incorporated in the Comprehensive Economic Measures to Create a Future with Security and Growth.¹⁹ In addition to speeding up digitization and smart formats in fields such as infrastructure and logistics, to set the specific KPI (criteria) targets from a medium- to long-term perspective and implement the initiatives in a deliberate manner even after the Three-year Emergency response plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience,²⁰ based on the Fundamental Plan for National Resilience,²¹ the

¹⁹ Cabinet Decision of December 5, 2019.

²⁰ Cabinet Decision of December 14, 2018.

²¹ Cabinet Decision of December 14, 2018.

government will obtain necessary and adequate budget funding, implement these measures across Japan, and promote far-sighted policies for building a land that is resilient against disasters.

2. Disaster prevention and mitigation, and strengthening national resilience: Coping with the high severity and frequency of disasters

It is a vital responsibility of government to protect the people's lives and livelihoods from increasingly severe and frequent floods, more intense major earthquakes,²² and volcanic eruptions that could occur at any time. The government is therefore strongly supporting initiatives that integrate **non- structural measures and structural measure** in uniting the national and local governments and everyone else involved to implement digitization and incorporate “smart” elements to prevent and reduce disasters and strengthen our national resilience.

The government is intent on improving local disaster prevention capabilities through crisis management programs that employ digital technology and by speeding up recovery and reconstruction based on pre-disaster planning experience and training experts in disaster prevention. These efforts will lead to a transformation in citizens' awareness and behavior regarding disaster prevention. Based on the lessons learned from the 2019 typhoon damage and July 2020 flooding, the government will strength the disaster resistance capabilities of our highway and rail networks in addition to the infrastructure and lifelines provided by our water supply system and power grid by moving electric line underground to prevent long-term power outages and communications failure. The government will also expand our information on flood risk, including for small and medium rivers, and mass evacuation of wide areas and evacuation of persons with special requirements, as well as strengthen our evacuation plans by bolstering the role of schools and the like in disaster prevention, and expedite programs to address our aging infrastructure with forest management and conservation programs. The government will implement programs with everyone in the concerned watersheds to improve the sophistication of our meteorological data for disaster mitigation,,²³ taking these as measures to deal with high tides and waves and measures to counter damage from floods and landslides due to rising sea levels and increased precipitation brought on by recent climate change. The government will also construct and maintain levees, dams, erosion control embankments, and agricultural reservoirs, strengthen the flood-control functions of existing dams and reservoirs, as well as make use of natural functions, thus taking steps to prevent flood damage, and adjust our way of living. The government anticipate expanding and strengthening the setup and functions of the

²² Major earthquakes would include an earthquake in the Nankai Trough, one centered directly under Tokyo, and those along the Japan Sea and the Kuril-Kamchatka Trenches (along with the resultant tsunamis).

²³ Including the development of technology for predicting stationary linear mesoscale convection systems and consideration of obtaining private-sector funding with respect to providing meteorological data.

Technical Emergency Control Force (TEC-FORCE)²⁴ and other disaster prevention programs.

The government will concentrate on implementing the Three-year Emergency Countermeasures for Disaster Prevention and Reduction and National Resilience throughout the 2020 fiscal year, as well as accelerating and bolstering national resilience initiatives in view of their progress in implementation. To achieve the specific KPI (criteria) goals in a deliberate manner from a long-term viewpoint subsequent to the three-year emergency countermeasures, the government will obtain necessary and adequate budget funding based on the Basic Plan for National Resilience, implement these measures on a nationwide basis, and promote as our centerpiece plan the creation of a land that does not succumb to disasters. In the light of local governments' circumstances, the government will also give appropriate consideration to the issuance of industrial bonds for emergency and disaster prevention and reduction.

The government will spur environmental improvements that take into account local conditions such as disaster shelters and measures for handling infectious diseases and hyperthermia. The government will cooperate with the relevant ministries and agencies to conduct surveys and examine the potential of using hospital ships, as well as strengthen the public hygiene and healthcare systems with respect to dealing with disasters and pandemics and enhance fire service and disaster prevention capabilities. The government will work on strengthening the functions of local community infrastructure in fuel supply stations as a local community infrastructure. The government will endeavor to improve the Self-Defense Force's responsiveness, resilience, and response capabilities in various situations, including providing financial support after completing term for the uniformed Self-Defense Force personnel in fixed term system.

3. Reconstruction after the Great East Japan Earthquake and other disasters

(1) Reconstruction and revitalization after the Great East Japan Earthquake

“Without revitalization of Tohoku, there can be no revitalization of Japan.” Reconstruction and revitalization after the Great east Earthquake is the most important issue for the Cabinet. As the government nears the earthquakes' 10th anniversary, areas affected by the earthquake and tsunami are now in the final stages of reconstruction and areas affected by the nuclear disaster are entering the full-scale reconstruction and revitalization stage. The government will continue pursuing this 10-year reconstruction effort. In addition, based on the Basic Guidelines for

²⁴ Acronym for Technical Emergency Control Force. This group is dispatched to deal with emergencies and disasters. In the event of a major natural disaster, TEC-FORCE staff located in the regional development bureaus are sent to provide immediate and ongoing technical assistance, quickly identify the seriousness of the disaster in the affected municipality, keep the damage from spreading, and reconstruct the affected area as soon as possible.

Reconstruction from the Great East Japan Earthquake After the “Reconstruction and Revitalization Period”²⁵ and on the June 2020 amendment of the Act for the Establishment of the Reconstruction Agency,²⁶ the government will work on reconstruction with the Reconstruction Agency as the command tower for the government’s leadership and responsibilities. To do this, the government will secure the necessary funding sources in accordance with the Reconstruction Efforts from FY2021.²⁷

In the areas affected by the earthquake and tsunami, the national and local governments shall continue to work together for five years after the Reconstruction and Revitalization period on remaining projects as well as continue assisting projects arising from the nuclear disaster.

Medium- to long-term response is needed for the reconstruction and revitalization of Fukushima, and based on the amended Act on Special Measures for the Reconstruction and Revitalization of Fukushima,²⁸ the national government shall continue to take the lead including accelerating the resumption of farming and considering bold measures, such as promoting migration to the affected area even after the Reconstruction and Revitalization period. The government will steadily and safely work on decommissioning and contaminated water management and environmental restoration. Based on the Fukushima Innovation Coast Framework, the government will promote experiments on flying vehicles, with the aim of achieving independent and sustainable local industrial development. Regarding the development of an international educational and research base by the national government that would bring together human resources from both Japan and abroad, the Expert Meeting on the Development of an International Educational and Research Base in the Fukushima Hamadori Area is in its final deliberations, and The Reconstruction Agency shall play a central role in coordinating with other related ministries, while also taking on the opinions of relevant local governments, industries, and educational and research institutes, and shall plan to submit a draft report in 2020. The government will promote future-oriented towns as well as prefecture-industry collaboration in constructing a model for renewable hydrogen energy in line with the revised Fukushima Plan for a New Energy Society. The government will effectively communicate accurate information about radiation in Japan and abroad with the goal of preventing harmful rumors or misinformation. No matter how long it takes, with an awareness that it is the Government’s responsibility to reconstruct and revitalize the

²⁵ Cabinet Decision of December 20, 2019.

²⁶ Act for the Establishment of the Reconstruction Agency (Act Number 125, 2011).

²⁷ Reconstruction Promotion Council decision of July 17, 2020.

²⁸ Act on Special Measures for the Reconstruction and Revitalization of Fukushima (Act Number 25, 2012).

affected area after lifting the evacuation orders in the areas where returning is difficult , the government is proceeding with the infrastructure development and the decontamination works at the Specified Reconstruction and Revitalization Bases. The government is also considering policy directions regarding the areas outside the bases with carefully listening to local opinions. Furthermore, the government is considering new programs to lift evacuation orders in the areas outside the bases, as long as the residents safety is assured, so that the areas can be put to use in accordance with the local government intentions.

(2) Reconstruction from recent natural disasters

Regarding the succession of disasters that have occurred in recent years, including the Kumamoto Earthquake in 2016, Heavy Rain of July 2018, the Hokkaido Eastern Iburi Earthquake in 2018, the Boso Peninsula and East Japan typhoons in 2019, and Heavy Rain of July 2020, the government makes its best effort for recovery and reconstruction from these natural disasters, in deep sympathy with each of the affected people so that they can restore safe and secure lives as soon as possible.

Chapter 3. Achieving the “New Normal Lifestyle”

1. Preparing the groundwork for concentrated investment in and implementation of digitization, which is the driving force in constructing the “New Normal Lifestyle”

(The Digital New Deal)

Progress in digitization will help solve many of the challenges facing Japan as well as spur future economic growth. DX does not just mean the introduction of new technology. Digitization of our society will be the driving force in our transformation to the “New Normal Lifestyle” as it will encompass the paradigms for our systems, policies, and institutions. By thoroughly studying and analyzing Japan’s lagging digitization and the challenges involved, the government will strengthen and expedite reform and oversee the progress of policy implementation at the relevant government offices and their application in society, with the coming year designated as an intensive reform period.

(1) All-out promotion of next-generation administrative services: Implementing digital government

In our efforts to deal with the current pandemic, a number of challenges have become obvious. The government has seen, for example, that the setup of our Social Security and Tax Number System and other government data systems is inadequate to allow people to use them easily and safely, that the national and local government data systems and operating processes are not consistent, and that data cannot be adequately used across regions and organizations. The government needs to take immediate action regarding the lagging digitization of these government services. This does not mean merely putting everything online. The true purpose for digitizing government services is to continuously improve the quality of government services through the collection, sharing, and analysis of data. The government will implement a thorough overhaul that incorporates private-sector human resources, technology, and knowhow and employ open architecture to avoid vendor lock-ins;²⁹ the government will also ensure the protection of personal information. In doing so, the government will gain the people's understanding by incorporating the user's perspective when the government undergoes conversion of our policy program systems to digital and online formats.

① Revising “Digital Government Execution Plan” and speeding up policymaking

The government will make a wholesale digitization of administrative procedures throughout the government. The government expects to expedite digitization as soon as the Cabinet Secretariat revises the current “Digital Government Execution Plan”³⁰ by the end of 2020. In doing so, the government will take the lessons the government has learned so far and incorporate everything that is essential into this plan in an overhaul of all work processes, not just those the government can tackle at present. Moreover, in our all-out efforts for the intensive reform of government services through digitization, the Cabinet Secretariat will set up a new headquarters function that includes both private-sector experts and representatives from the relevant government offices to specify the processes for achieving dramatic improvements, in consideration of the paradigm for the Social Security and Tax Number System, the digital foundation for national and local governments, and the government's budget and policies for the next fiscal year. To further these policies in an organized manner, the government will conduct a comprehensive review of all relevant laws and statutes, including the Basic Act on IT.³¹ This review will set new basic approaches, policies, and regulations for the future progress of digitization, strengthen the government's function as the

²⁹ A situation in which only a certain vendor can be used because that vendor (business) is the only one that actually knows how to repair the system.

³⁰ Cabinet Decision of December 20, 2019.

³¹ Basic Act on the Formation of an Advanced Information and Telecommunications Network Society (Act Number 144, 2000).

Government CIO, and drastically strengthen initiatives for digitizing our entire society, as well as every area of the government. The government will also foster an environment that is conducive to DX for government official.

② Radical overhaul of the Social Security and Tax Number System

With respect to the Social Security and Tax Number System, which will serve as the foundation of digital government, the government will devise groundbreaking programs that will be user-friendly for citizens based on the guiding principle of moving all administrative procedures online.

The relevant government offices are studying the best way to design this system so that its data can be used in research on medical and long-term care. In 2021, they will take the necessary legal steps toward the improvement of the PHR³² so that by 2022, the system will be able to provide health records that contain all data on people's health from birth through their careers and through to the end of their lives. The government will promote digitization so that the Individual Number Card can be used as an official form of identification and that persons with disabilities will not have to show their disability certificates to obtain discounts for disabled persons. With respect to e-Tax and the like, the government will also improve the versatility of the Individual Number Card by gradually expanding the data that can be added automatically (healthcare expenses, bank account for public money transfers, etc.).

The government is in the process of considering combining residence cards and Individual Number Cards and will make a decision within 2021. Furthermore, in consideration of other countries' practices regarding driver's licenses, the government will start to look at our driver's license issuing procedures and how to best link them to our systems. In addition, the government will start considering the further digitization of procedures that use the Individual Number Card, including motor vehicle inspection certificates and the procedure for registering motor vehicle inspections. The government will also give a thought to using the Social Security and Tax Number System for all types of licenses, government certifications, and education. The government will put shared functions in the cloud if warranted. The government will strive to improve the convenience of the "Mynaportal" by proactively incorporating technology from the private sector.

Besides these initiatives, the government will strive as much as possible to accelerate the schedule for developing an effective Individual Number Card that is in widespread use by dramatically improving the card's ability to perform administrative tasks, such as resending an application form accessed via the card's QR code and using the

³² Personal Health Record. This is a mechanism whereby a person and their family can use their Individual Number Card to access accurate information in an electronic format about their health and other personal data for their entire lives, dating from their birth to their school and work.

Individual Number Card Point to help stimulate consumption.³³

Moreover, the government is preparing to give the Mynaportal the functionality to be used for quick and easy procedures involving transfers of public funds, such as tax returns, pension payments, various other payments (cash payments to citizens, etc.), emergency small loans, aid for disaster victims to rebuild their lives, educational scholarships, and the like. Besides creating mechanisms that use the advantages of digitization for inheritances and during disasters and other emergencies, the government is studying the best way to list Social Security and Tax Number on bank and savings accounts, including the establishment of accounts for the transfer of public moneys so that the social security system will be fair for people of all ages.

Furthermore, the relevant government offices will be moving to implement certain processes this year, starting with those that are currently implementable in their efforts toward making radical improvements such as promptly standardizing local governments' operational systems to make them consistent and be ready for building up the Social Security and Tax Number System and the national and local digital networks.

③ Speeding up standardization of the national and regional digital networks

To expedite consistency and standardization of the national and local digital networks, the government will use reports by regional system study councils in providing key assistance, including financial assistance, in creating the legal framework. Within the next year, the relevant government offices and the Cabinet Secretariat will embark on focused initiatives for standardizing and bringing conformity to local governments' central operational systems. The tasks to be standardized this year will be identified, and work on this will begin.

Dramatic steps will be taken to move administrative procedures online and make them "one-stop, once-only" processes. The relevant government offices will investigate the situation regarding online applications and payments of assistance in response to the current pandemic, and it will suspend the general use of personal seals in principle, reduce application documentation and the need for face-to-face contact as much as possible, and expedite information sharing, etc., using the gBizConnect ,which is a platform that enables a linkage of corporate data between systems. In particular, steps will be taken to further simplify and speed up bureaucratic red tape by, for example, taking electronic applications for employment adjustment subsidies, extensions of driver's license expiration dates, and the like. Remote submission of construction

³³ The provisional overall schedule for Individual Number Card distribution set forth at the September 2019 Cabinet Meeting on digital government anticipates that almost everyone will be in possession of an Individual Number Card sometime in FY 2022. This will be the result of measures to stimulate consumption through the use of the Individual Number Card Points, to be launched starting in September 2020, and use of the card as a health insurance ID card starting in March 2021.

permit electronic application and other procedures will be promoted.

As a rule, all localities will be encouraged to move to an online format by availing themselves of the “pittari” (ready-to-use) services on the government’s Mynaportal, and the government will embark on dissemination of best-practice cases of AI and robotic process automation (RPA) use by local governments.

In view of what the government knows about the significant burden of administrative work imposed by the payments currently being made, the Ministry of Internal Affairs and Communications will create a comprehensive plan by the end of 2020 for information and communications technology (ICT) focused on eliminating shortages of digital human resources and implementing optimal cloud storage methods, with an eye to security and local governments’ use of AI and RPA. Specific KPIs will be established as well. In addition, to deal with local shortages of digital human resources, digital experts will be dispatched to these areas on mid-to-long-term assignment, with the potential for one CIO to be working for several local governments.

④ Establishing cross-sectional data federation system and promoting open data

To promote evidence-based policymaking (EBPM), analyze data that use public and private data effectively, and promote government services that employ AI, under the direction of IT Strategic Headquarters, the relevant government offices need to take significant steps toward establishing cross-sectional data federation system and promoting open data. To do this, the government will offer guidance on identifying and removing any stumbling blocks.

By the end of 2020, the Cabinet Secretariat will design the process for building the “base registry”³⁴ needed for an efficient and effective interdisciplinary integrated database. The government will promote collaborations for sharing data on electricity, water, and other social infrastructure and the installation of functions for sharing and analyzing real-time data on medical treatment, disasters, etc.

The Cabinet Secretariat will coordinate with the Ministry of Internal Affairs and Communications and other relevant government offices, and the Public–Private Round Table on Open Data will work on making it possible to acquire data from several local governments simultaneously and make other improvements so that the needs of the private sector, including venture businesses, can be easily met.

Public disclosure of data on infrastructure will be increased, and the public–private shared database will be organized and launched by the end of FY 2020. In addition, a

³⁴ Incorporating a “once only” capability into public–private initiatives will require the use of processes that extract the most recent information (name, address, etc.) from the databases provided by the authorized government institutions. This type of shared database is called a “base registry.”

data platform that combines national and local governments and private-sector data on the nation, the economy, and natural phenomena will be put in place by FY 2022.

(2) Promotion of the digital transformation

The government will continue to gradually implement our existing initiatives for Society 5.0, and in anticipation of the advent and quick transition to the “New Normal Lifestyle,” the government will speed up DX throughout our society, including regional areas, by implementing various types of assistance and regulatory reforms. To promote initiatives for corporate DX, during FY 2020, the government will create and disseminate a digital governance code containing actions that are required on the part of the business community. The government will promote the introduction of AI, robotics, and digitization in the supply chain to optimize and increase the efficiency of distribution through the use of the internet of things (IoT), AI, and digitization of business transactions between large corporations and small and medium enterprises. New lifestyles should generate new business opportunities, so the government will support efforts toward shifting to new business models that do not involve face-to-face contact, such as e-commerce sales. The government plans to expand usage of satellite data and advanced use of geospatial information (G-Spatial information).

To promote the development and use of a nationwide 5G network, which will serve as the base for DX, the government will launch 5G service in all prefectures by the end of FY 2020 and will move up our 5G consolidation plan to the end of FY 2024. In addition to pushing for the completion of 5G base stations and the universal launch of local 5G, the government will also promote the development of post-5G technologies.³⁵ Furthermore, looking past 5G and post-5G, to “Beyond 5G,” the government will take strategic steps through global PPPs to start investing in Beyond 5G ahead of time. Beyond this, in addition to expediting our fiber optics network, the government is investigating the provision of a universal broadband service³⁶ and will take action on this in FY 2021.

By providing an environment whereby everyone can receive the benefits of digitization, the government expects to improve ICT literacy and information ethics, and the government will promote steps to prevent digital disparities. The government will pursue cybersecurity countermeasures in line with promotion of digitization, including technological developments and human resources development for countering sophisticated cyberattacks and the building of a foundation for information collection and generation. As the expansion of DX progresses, transparency and fairness in the

³⁵ Here, post-5G refers to more sophisticated 5G with multiple simultaneous connections and low latency functions.

³⁶ A situation in which every household, etc., throughout Japan is able to access high-speed internet communications.

digital marketplace will become even more critical. Therefore, the government will continue developing rules governing the digital market, such as enforcement of the Digital Platform Trading Transparency Act and rules for digital advertising platform operators³⁷. The government will develop an environment, such as the necessary legal frameworks for protecting consumers to promote voluntary efforts by platform operators as well as a consultation system.

In the area of social capital infrastructure as well, the government will encourage digitization and conversion to “smart” formats and position them in accordance with the underlying principles of the next priority plan for social infrastructure development. Specifically, the government will promote i-Construction by applying ICT and using three-dimensional data in all construction processes. From the standpoint of economies of scale, the government will promote wide-area partnerships that include smaller construction firms and strive for their penetration nationwide.³⁸ The government will also seek to improve productivity by harmonizing construction periods through visualization of local government programs and detailed construction and project management using digitization. The government will also come up with a comprehensive maintenance schedule based on preventative maintenance for Japan’s increasingly aging infrastructure, aiming to make it more sophisticated and efficient with new technology and data usage.

(3) New workstyles and lifestyles

① Reforming our workstyles

The government is aiming for proper practice of labor-related statutes, with the steady enforcement of the Act on the Arrangement of Related Acts to Promote Work Style Reform,³⁹ and the government is expediting our efforts toward Phase II of workstyle reform⁴⁰ to increase worker morale and do everything possible to keep from backpedaling in our progress toward work–life balance and new ways of working, such as telework, which have become popular as a result of the pandemic. The government will create an environment in which each worker will be able to choose multiple-track workstyle (multiple jobs in accordance with a full set of rules on how to manage work hours, etc.), and a varied and flexible workstyle that accords with their individual situation, such as child-rearing or care-giving. The government will create a positive

³⁷ Act on Improvement of Transparency and Fairness in Trading on Specified Digital Platforms (Act Number 38, 2020).

³⁸ The goal is a 20% increase in productivity at construction sites by FY 2025.

³⁹ The Act Concerning the Provision of Laws Related to the Advancement of Workstyle Reform (Act Number 71, 2018).

⁴⁰ Workstyle reforms include shifting away from hiring practices that focus on company membership (i.e., “membership-type”) toward hiring people based on their suitability for the job in question (i.e., “job-type”) and toward workstyles that are more efficient and can be more accurately assessed. “Job-type” hiring practices based on the suitability of individuals for the job are the type of employment whereby people can choose a workstyle with certain work hours, job duties, and work locations.

cycle aimed at improving productivity through more widespread use of RPA. In addition, we will eliminate unwilling non-regular employment.

To normalize telework and speed up its dissemination, the government will create new KPIs and offer various forms of assistance to encourage their adoption by SMEs, including free consultations with labor experts, and a national roll-out of an aid program for adopting telework. Furthermore, the government is working on preparing employment regulations that reflect the actual situation, such as clarifying the content of notices about eligibility requirements for system of deemed working hours outside workplace and revising the relevant guidelines.

The government is working on assisting and clarifying employment regulations for the further dissemination and promotion of workers hired for a particular role under “job-type” hiring practices.

Thus, the government is considering the appropriate format for these types of Discretionary Working System based on surveys of the actual situation so that workers will be able to perform their jobs autonomously and use their own discretion within the scope of their duties, and companies will be able to manage work hours and decide payments with the flexibility merit-based and in accord with this type of workstyle.

The government will create consistent rules to protect workers so that freelancers will have an environment in which they will be able to work with peace of mind.

② Dealing with women’s empowerment and the declining birthrate

The declining birthrate is a problem that affects everyone in the entire society and economy. Steps need to be taken immediately with regard to the situation that deserves to be the “860,000 shock”. The government is promoting measures to deal with the declining birthrate in close coordination with women’s empowerment and workstyle reform. With the goal of achieving “a desired birthrate of 1.8”, and based on the Outline of Measures for a Society with Declining Birthrate,⁴¹ the government is securing stable financial resources so that the burden of the declining birthrate does not have to be borne by the children of the future, and the government is steadily and swiftly implementing whatever steps the government can based on their effectiveness and order of priority. Comprehensive measures for dealing with the declining birthrate include marriage support, assistance for infertility treatments, fostering an environment conducive to both work and child-rearing, encouragement of participation by men in housework and child-rearing, fostering an environment where women can receive aid from their local communities, society and others so that they can get pregnant, give

⁴¹ Cabinet Decision of May 29, 2020.

birth, and raise children with peace of mind, and assistance to households with many children in the form of child allowance, access to daycare facilities, and housing assistance.

The government will take measures to achieve our new goal about rate of women who keep working after childbirth,⁴² and will support women in working as regular employees with the aim of resolving the so-called L-shaped curve which implies declining in the rate of women who are working as regular employees after childbirth. The government will make efforts to eliminate employment adjustment and reduce the burden of childcare, which disproportionately falls on women. The government is working to further improve men's opportunities to take childcare leave, for example, the government are investigating programs to promote leave for men immediately after their spouse has given birth.

Regarding securing daycare facilities, etc. in FY 2021 and thereafter, the government will give pains-taking assistance to local governments in line with their situations and consider the situation in terms of the findings of the "volume forecasts" in the Phase 2 Project Plan for Childcare Assistance for Children in Cities, Towns, and Villages, so that adequate daycare facilities, etc., will be available to those who need them.

Regarding measures to prevent child abuse, The government will study the issues of defending children's rights and eligibility qualifications for those receiving aid for children, based on the steadfast enforcement of the Partial Revision of the Child Welfare Act⁴³ and its supplementary provisions, and the government will strengthen municipal programs and child guidance centers, strengthen the children's protective services system, promote consultation services that employ social networks and other forms of ICT, and spearhead other initiatives that will radically and comprehensively improve our programs⁴⁴ as well as strive for thorough adherence to the principle of prioritizing the taking care of children in homelike environments, including by foster parents.

Based on the Intensive Policy to Accelerate the Empowerment of Women 2020,⁴⁵ the government will steadily implement measures to improve the effectiveness of child support and promote health aid and women's participation in the community, targeting the establishment of a new Basic Plan for Gender Equality by year-end. In line with the Policy for Enhancement of Measures against Sex Crimes and Sexual Assault⁴⁶ taking the next

⁴² 70% by 2025.

⁴³ Act on Partial Amendment of the Child Welfare Act, etc., to Step Up Efforts to Prevent Child Abuse (Act Number 46, 2019).

⁴⁴ On the Radical Strengthening of Child Abuse Prevention Measures (March 19, 2019 decision by a meeting of cabinet ministers concerned with measures for the prevention of child abuse).

⁴⁵ July 1, 2019 decision by the Headquarters for Creating a Society in which All Women Shine.

⁴⁶ June 11, 2019 decision by a meeting of relevant Ministries concerned with strengthening measures against sex crimes and sexual assault.

three years as an intensive strengthening phase, the government will enhance aid to victims and bolster education, awareness, and measures for dealing with offenders. In light of the increase and exacerbation of spousal violence during the pandemic, the government will strengthen measures against spousal violence, including enhancing the consultation and aid systems. The government will also examine specific ways to hold safe and comfortable exchange meetings.

③ Moving education and healthcare online

In the context of new lifestyle approaches, the government is progressing with discussions about distance learning and about offering medical care and medication advice by telephone or online, as the government have received feedback from users and many other concerned parties.

Regarding distance learning for high schools and universities, the government is contemplating reform of the rules concerning maximum course loads. In addition, the government will promote the improvement and use of distance learning at the compulsory education level and digital textbooks and other educational materials, and the government is considering the relaxation of criteria on the number of class hours that digital textbooks can be used.

Regarding online medical consultations, the government will create a mechanism that will put everything online, from medical consultation to receipt of medications, by introducing electronic prescriptions, online medication advice, and medication shipments.

④ Reforming the civil service system

In view of the submission of the opinion by the National Personnel Authority in 2018, the government will implement initiatives to raise the mandatory retirement age for public employees.

In line with the Basic Act for the Reform of the National Public Service System,⁴⁷ the government will continue to steadily implement general improvements in recruiting so that the government can obtain sufficient candidates by emphasizing recruitment from the public and private sectors, setting recruitment goals for executive and managerial staff, improving the performance assessment system, and clarifying the job duties of Director Generals and others, to hire the best people for the job and thoroughly implement human resources management that focuses on talents and accomplishments. The government is contemplating the prompt establishment of a system of review by experts of the items needed for human resources evaluations, including a grading

⁴⁷ Basic Act on Reform of the National Civil Service System (Act Number 68, 2008).

system for assessment results, and the government will take the steps to implement the necessary measures in succession by summer 2021. Based on discussions by the National Personnel Authority regarding criteria for raises and promotions and an optimal pay schedule, the government will put the relevant measures into effect in stages by the end of fiscal 2029.

(4) Revising systems and practices to expedite change

Returning to Japanese lagging transition to digitization and online functions, the government will work toward concentrated regulatory reform over the next year so that the government can expedite the achievement of the “New Normal Lifestyle.” To accomplish this, the government will steadily promote the Regulatory Reform Implementation Plan,⁴⁸ and perform a comprehensive examination of our current regulations and systems in view of the digital age moving forward.

① Breaking away the culture of paper documents, personal seals, and face-to-face meetings

The government will implement reform of Japanese systems and practices that are premised on paper documents, personal seals, and face-to-face contact so that the government can achieve a truly digital connected society where people can perform administrative procedures without presence. To accomplish this, the government will rethink all of our administrative procedures and make changes so that in general everything can be done completely by digital procedure without paper documents, personal seals, or face-to-face meetings. The government will also promote reform of private-sector business practices by clarifying the legal position on personal seals by partnership between public and private. Regarding administrative procedures, the government will set numerical objectives for boldly increasing online usage by the competent government authorities, strive toward increased usage, and monitor the progress of usage based on these objectives.

② Promoting regulatory reforms for the digital age

The government will reform regulations and systems by determining the priority reform areas in view of the digital age moving forward. This will include reforming business regulations and regulations on paperwork and face-to-face meetings premised on the application of digital technologies and transitioning to a speedy and flexible regulatory system in response to technological progress. The government will also

⁴⁸ Cabinet Decision of July 17, 2020.

come up with standard procedures for assessing in advance whether a system’s design is appropriate in terms of digitization when regulations are being newly established or revised. The government will aim to enact legislation in the 2021 Ordinary Diet Session to facilitate the management of copyrights for simultaneous broadcasting on transmission of the Internet.

The government will implement medium- to long-term pilot projects in the three areas of mobility, fintech/finance, and inspection, sort through the problems and challenges of designing the regulatory paradigm for the future, and probe into them deeply to extend them to other fields.

The government will draft detailed rules regarding the system of Pseudonymously Processed Information⁴⁹ and take other actions toward the smooth enforcement of the Amendment Act of Act on Protection of the Personal Information.⁵⁰ Moreover, as there are differences among the whole legal system of the protection of personal information, planning to integrate the three personal information protection laws,⁵¹ the government will consider rules of protection of personal information owned by local governments with fully collaborating with local government bodies in the task force of reforming the system of the protection of personal information, with a goal of reaching a conclusion by the end of the year.

2. Creating communities where the “New Normal Lifestyle” is in effect

Awareness is spreading that telework and other new work modes that have become popular during the pandemic allow people to do their jobs anywhere. This movement expands the venues for various human resources activities, can be linked to the improvement of value-added productivity, and broadens possibilities for relocating to outlying areas. To promote the creation of regions that can achieve the “New Normal Lifestyle” and in view of growing interest in relocating from the Tokyo area to outlying regions, the national and local governments and the private sector will work together to promote “Smart Cities” and bring about a drastic reversal of the flow of people toward monopolar concentration in Tokyo, which has a high exposure to disaster risk, and to build resilient and autonomous local economies by maximizing utilization of local resources, such as tourism and primary industry—all specific elements of a new

⁴⁹ A system that processes personal data to eliminate names and other personal information so that the data can be used without that person’s permission. From the standpoint of promoting innovation, its use is limited to instances where the data will be analyzed for corporate internal purposes. However, because certain individuals can be identified through the pseudonymous processing information system if it can be verified with other data, providing such information to third parties is prohibited except for situations based on legal considerations.

⁵⁰ The Act for Partially Amending the Act on the Protection of Personal Information (Act Number. 44, 2020).

⁵¹ The Act on the Protection of Personal Information (Act Number 57, 2003), the Act on the Protection of Personal Information Held by Administrative Organs (Act Number 58, 2003), and the Act on the Protection of Personal Information Held by Incorporated Administrative Agencies, etc. (Act Number 59, 2003).

paradigm for national resilience and an economic society of multipolar partnerships.

(1) Moving from a Tokyo-centric nation to a multipolar national model

① Accelerating the creation of smart cities

The government will promote better “Smart City”, focusing on Cabinet ordinance-designated and core cities where universities are located with concentrations of population, fostering an environment where companies will locate operations and young people will be able to work and live comfortably. To make these programs sustainable, the government will use public- and private-sector data to verify the direction that the government should move in fields such as the living environment, mobility, and next-generation government services. The relevant government offices will boost systematic initiatives in local areas from the standpoint of drawing on local knowledge and focusing the collective efforts of industry, academia, and the government in local communities. Specifically, the government will accelerate the development and building of City OS,⁵² which will serve as a basis for data service collaboration, and implement regulatory reform and assistance for both hardware and software, including advanced research and development (R&D) and the build-out of a data infrastructure that allows partnering within and outside of local areas. To strengthen local initiatives, the government will move toward early realization of the “Super City Initiative, which will socially implement focused regulatory reforms, such as the implementation of an advanced services.

In accordance with the enactment of the Revised Act on Revitalization and Rehabilitation of Regional Public Transportation Systems,⁵³ this year the government will launch the operation of the system of paid passenger transportation in personal-use automobiles in cooperation with general passenger automobile transportation business operators and will promptly set the basic policy for the design of a social infrastructure for small, low-speed autonomous delivery robots.

⁵² The Cabinet Office has announced unified guidelines regarding the characteristics and functional requirements for a basic platform for smart cities (City OS).

⁵³ The act for the Partial Revision of the Act on Revitalization and Rehabilitation of Regional Public Transportation Systems, etc. in order to propel the effort to ensure a provision of sustainable transportation services. (Act Number 36, 2020).

② Creating a new movement of people toward regional areas through dual residences, side jobs, revitalization of local universities, etc.

The government is aiming to create and expand opportunities for dual residence in urban and rural areas and efforts of increase “the non-residents with ties to regional areas”, as well as promote the formation of special local development businesses and ways for children to experience rural districts. In view of the expiration of the Act on Special Measures for Promotion for Independence for Underpopulated Areas, the government will implement new measures for dealing with depopulation and other programs for disadvantaged areas.⁵⁴ To this end, the government is swiftly identifying the institutional challenges as seen by residents, including assistance for child-rearing and side or multiple jobs, and our stance regarding the payment of local residence taxes, so that people can easily maintain dual residences and jobs, and the government will use industry-government collaboration to identify the processes to implement programs for residents and dual residents. The government will also promote telework, which will facilitate relocation to outlying areas, set up satellite offices for people who have moved to those areas, and strengthen assistance for start-ups in digital businesses and for working side jobs in local communities. The government will also work to support local volunteer organizations, the relocation of young people and private-sector specialists to local areas, and joint industrial–academia–finance–government projects encouraging local solidarity and economic activity. The government will encourage the shift of managerial resources from large corporations to SMEs.

To promote the settlement of young people in local areas by creating local industries and attractive learning venues in local areas, by the end of the year the government will draft a reform package for the creation of attractive local universities that will include, among other things, increasing admission capacity of local national universities and so on needed for, for instance, nurturing STEAM human resources, including women in science and technology; the establishment of regional quotas promoting local employment, the introduction of separate staffing allowances for young and adjunct instructors and partnerships between universities for online education. The government will promote the establishment of regional satellite campuses by Tokyo-area universities.

③ Securing management professionals for local SMEs

While the pandemic has wrought changes in business conditions for many industrial sectors and the business climate for SMEs, people in their 40s and 50s as well as

⁵⁴ Act for Special Measures for Promotion of Independence for Underpopulated Areas (Act Number 15, 2000).

younger people have started to consider changing jobs or getting side jobs, and city dwellers are becoming more interested in relocating to outlying areas. Thus, in response to the needs of local SMEs, the government will facilitate smooth relocation of management professionals to the region and their double-hatting and help local SMEs them improve their business capabilities through capital investment and loans. To facilitate their smooth relocation and double-hatting, the government will prepare a list of professionals with experience working for major banks etc., manage the list on the Regional Economy Vitalization Corporation of Japan and promote matching between professionals and local enterprises.

④Preparing the groundwork for invigorating regional cities

To promote work and living in regional cities and flexible means of moving around based on the lessons of the pandemic, the government will lay the groundwork for efficient relocation, including planning towns based on universal design, making cities more compact in their location of the functions for local living, and installing barrier-free rail lines and other forms of transportation. These will enable the creation of spacious and thriving towns where residents can walk everywhere and avail themselves of parks and other open spaces,⁵⁵ thus increasing the attractiveness of these communities. In response to the pandemic, the government will also take advantage of the currently low interest rates to secure sustainable regional public transportation services and quickly build and put into operation networks for handling the flow of people and goods, such as Arterial High-standard Highway Network, Shinkansen lines, and the Linear Chuo Shinkansen. These will be linked to the formation of linkages between large metropolitan areas and local regions.

By creating optimal siting plans and regional public transportation plans in tandem, the government will promote the Compact Plus Network and prepare a social capital foundation that combines relocation assistance and other urban development initiatives, land use regulations regarding hazardous areas, etc., and transportation management. As for the maintenance of existing facilities, this will be done in a planned manner that gives priority to public opinion as well as the state of deterioration, aiming for incorporating the comprehensive compilation, reorganization, and broadening of urban development planning. In so doing, the government will also ensure sustainability of maintenance and renewal costs. Furthermore, to create an environment conducive to the intake of human resources from the Tokyo area, the government will aim to revitalize the market for existing houses through performance enhancements for long-life improvement and the spread of buyers'

⁵⁵ Including the creation of urban environments that employ greenery and water and urban redevelopment plans for areas around rail stations, including the creation of transportation hubs.

inspections of vacant houses and other existing properties. The government will adopt measures for dealing with land with unknown ownership in accordance with the Basic Policy.⁵⁶

For specified regional infrastructure (such as shared bus operators and regional banks), the government will work to improve their efficiency, productivity, and service quality during the 10-year period until the expiration of the Antimonopoly Act Special Measures Act.⁵⁷

⑤ Private utilization of public services

The government will encourage the system of the right to operate public facility and other forms of PPP and PFI, proactively using private-sector funds and knowhow in various fields.⁵⁸ In particular, the government will create a legal system that will clarify what is permitted in construction and repair work closely affiliated with the project of the operating right holder and will strengthen incentives to expedite local government programs, such as aid for initial financial outlays, a robust certification system, and promotion of public–private dialogs.

⑥ Creating sustainable local governments

To create sustainable local governments, which is one of the challenges to be tackled by 2040, the government will promote reforms that will propel local governments into the “New Normal Lifestyle” by expediting efficiency that employs wide-area partnerships and visualization and by tackling challenges that have cropped up during the pandemic that can be resolved through cooperation and collaboration between the national and local governments and challenges that transcend prefectural boundaries, such as providing healthcare and welfare services over a broad area and private-sector initiatives. To this end, the government will respond firmly and with modulation with respect to revitalizing local economies through tourism, based on entrusting these initiatives to local government discretion so that they will properly incorporate local attributes and knowhow and on nationwide promotion of subsidies for specific purposes, such as the promotion of digitization.

All administrative areas will promote diversified and broad partnerships with local government bodies. In particular, in the Tokyo and Kansai areas, the government will strengthen the broad-area collaborative functions with respect to social security, disaster

⁵⁶the Basic Policy for the Promotion of Measures for Land with Unknown Owners (July 3, 2020 decision by the relevant Ministerial Committee for the promotion of measures for land with unknown owners).

⁵⁷ The Act Concerning Special Measures of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade for the Maintenance of Basic Services Associated with the Banking Business and General Passenger Vehicle Transportation Business Operators in Local Areas (Act Number 32, 2020).

⁵⁸ Based on the Action Plan to Promote PPP and PFI (2020 revised edition) (July 17, 2020 decision by the PPP/PFI Promotion Council).

prevention, and other services and will consider ways that the national government can take responsibility for overall coordination. Moreover, in individual administrative areas, the government will work toward enabling the joint creation of plans by multiple local government bodies in cases where, for legal reasons, the national government needs to have local governments create such plans. The government will also take specific measures for having prefectures perform extra administrative tasks and for partnerships among municipalities or between prefectures and municipalities.

The government will promote inclusion of the standardization of systems and the promotion of digitization on the agenda for broad-area planning for water supply and sewage systems, and to bring this about, the government will promote autonomous initiatives for building partnerships among related municipalities, with prefectures acting as the broad-area local government bodies. To make use of private-sector expertise, the government will encourage the awarding of business based on performance, PFIs, and the use of data from local governments.

The government will encourage local public corporations to carry out thorough digitization and make their administrative work more efficient, and in view of the circumstances and cost efficiency, the government will come up with a program whereby all public corporations can transition to a common public corporation accounting system within the next five years.

The government wants Okinawa to be a driving force in Japan's economic growth. Therefore, the government will actively encourage comprehensive measures to promote Okinawa as a national strategy, which will encompass the revitalization of tourism, wide-ranging promotion of its industries, and the re-use of former U.S. military bases. The government will study overall measures for the promotion of Okinawa considering the expiration of the current Act on Special Measures for the Promotion of Okinawa.⁵⁹

In the development of Hokkaido, the government will grow Production Space devoted to food and tourism and promote the Region neighboring the Northern Territories. The government will use the Upopoy National Ainu Museum and Park as the base for bringing about a society that respects the pride of the Ainu people.

(2) Invigorating industry and society through local initiatives

① Revitalizing the tourism industry

The potential for inbound tourism will be great, even in the post-COVID-19 era. The government will work to bring the public and private sectors together to achieve a nation that is highly developed in terms of tourism, working towards achieving a goal of

⁵⁹ Act on Special Measures for the Promotion and Development of Okinawa (Act Number 14, 2002). This act expires at the end of FY 2021.

60 million international visitors in 2030.

During the time until personal interchange among people from different countries is restored, the government will work on designing new content, such as improving our entry points such as airports and CIQ⁶⁰, creating an environment in which tourists can enjoy stress-free travel with multilingual signage, and renewing such tourism resources as national parks, winter sports resorts, and cultural facilities.⁶¹ The government will promote the upgrade of arrival facilities by further improving experience-based activities and the improvement of our service capabilities for foreign visitors, and the government will review the state of our lodging facilities and their management, in view of usage by travelers who make a significant financial contribution.

② Revitalizing of agriculture, forestry and fishery industries

As the pandemic's impact spreads, the government will maintain and strengthen our domestic agricultural production base in response to international export restrictions, and the government will work toward improving Japan's food self-sufficiency metrics and its ability to supply its own food and toward stabilizing imports of food supplies, and the government will ensure overall food security that achieves a stable supply of the foods essential to citizens' lives.

To this end, the government will strengthen the domestic food production base, including production in hilly and mountainous areas, by switching to domestic production of ingredients for processed foods, meal kits and restaurant meals, increasing our production of domestic wheat and soybeans, and raising unused capacity by expanding imports. Besides strengthening the food supply chain by developing distribution centers as well as partnerships and cooperation in the food industry and production areas, the government will consider how to secure supplies of grain and diversify our grain imports and secure a stable supply of food imports through better analysis of the supply and demand situation for food. The government will continue discussions on developing agricultural support services that employ smart technology developments and on-site installation in the agriculture, forestry, and fisheries industries, and on how to secure a domestic technological foundation that has a new framework for offering assistance in various forms through programs that use food tech and other new technologies. The government will solicit public understanding of primary industry's role in providing food security.

To strengthen primary industry's production base in light of the pandemic's impact, the government will continue to work hard for the comprehensive reform of the agriculture, forestry, and fisheries industries, based on the Plan for the Creation of Vibrant Primary

⁶⁰ An acronym for Customs, Immigration, and Quarantine.

⁶¹ Including possible rebuilding of the National Theater and improving the functions of Japan's museums and other cultural facilities.

Industries and Rural Areas,⁶² ensuring that the government passes down Japan's beautiful rural villages to the next generation by turning primary industry into a growth industry. The government will promote countermeasures for wildlife and land improvement projects, implement appropriate management of forestry and fisheries resources, further prop up the economic health of fisheries operators, and expand the use of lumber in buildings and other areas. With the new export goal of 2 trillion yen by 2025 and 5 trillion yen by 2030, the government will expedite discussions for the easing and lifting of regulations vis-à-vis our export customers under the Headquarters for the Export of Agricultural, Forestry, and Fisheries Products and Food and will also encourage faster certificate issuance. In addition, the government will strengthen the structure of production areas in response to overseas regulations, etc., through the Global Farmers/Fishermen/Foresters/Food Manufacturers Project (GFP), speed up and raise the efficiency of the distribution of exports, develop strategic markets through the Japan Food Product Overseas Promotion Center (JFOODO), expand our food industry overseas, and create a diverse business model for the food industry.

③ Assisting operators of middle-market businesses, SMEs, and microenterprises

In response to social reform and the ongoing revisions in systems, such as Work Style Reform, expansion of eligibility for employees' insurance, ongoing wage increases, the launch of easy invoicing, the progress of DX, and the current COVID-19 crisis, the government will implement the following initiatives to produce world-class, local value-creation companies.

The government will support expansion in companies' size by eliminating factors that hamper SMEs from growing into middle-market companies and raising productivity through increasing added value. The government will convene a Council for the Promotion of Building Partnerships for the Future, and through individual companies' voluntary action declarations for adherence to the promotion criteria contained in the Subcontracting Act,⁶³ the government will encourage discussions between SMEs and their clients on passing on labor costs in pricing and strengthen business regulations, including those concerning intellectual property. The government will urge business succession measures at SMEs that have no one to inherit their business, based on the Comprehensive Package of Assistance for Third-Party Succession. The government will implement comprehensive assistance, including for budgeting and taxes, to encourage business integration and reorganization.

The government will prioritize assistance in the form of programs for the sharing of data and information through partnerships among SMEs, for streamlining the efficiency

⁶² December 10, 2019 overhaul of the Headquarters to Create Vibrant Rural Areas and Vibrant Agriculture, Forestry, and Fisheries Industries.

⁶³ Act on the Promotion of Subcontracting Small- and Medium-Sized Enterprises (Act Number 145, 1970).

of the entire supply chain, and for having middle-market companies and SMEs partner with universities and others in business ventures.

④ Initiatives to revitalize overseas economies

To further the introduction of overseas economic vitality into local areas, the government will embark on the overseas development of infrastructure systems and the above as well as further promote SMEs' expansion overseas, in addition to direct investment into Japan.

By next spring, the government will formulate a mid- to long-term strategy for ramping up direct investment into Japan, including KPIs after 2021. The government will engage in coordinated promotion of the three areas of Visit Japan programs, exports of primary industry products, and direct investment into Japan, through the collaborative efforts of the relevant government offices. During the current fiscal year, the government will build an open innovation platform to connect overseas start-ups, venture capital firms and regional Japanese companies. The government will promote ICT and the use of AI technology in the judicial field and improve conflict resolution procedures and access to foreign language interpreters at cases of international arbitration and the like.⁶⁴ Furthermore, from the standpoint of national security, the government will strive to ascertain the status of property ownership through information gathering and other means by the relevant government offices, and the government will take the necessary measures after considering of how best to use and manage property.

For overseas expansion by SMEs, the government will create a system that uses new services for the development of sales channels and streamlining of management, such as crowd funding and cross-border e-commerce, and strengthen aid for SMEs' acquisition of overseas markets. Due to the rapid increase in middle-market companies and SMEs that have difficulties going overseas, the government will promote overseas expansion through remote means by implementing programs for cross-border e-commerce and other forms of digitization and by offering online business consultations and assistance at JETRO. The government will bolster assistance to local businesses that are behind in expanding overseas by offering painstaking assistance to companies of all sizes, even microenterprises, so that they can reach the launching point for overseas expansion.

⑤ The power of sports and cultural arts

As long-running and traditional events are being canceled and people are having to restrict their activities, the government will strongly support the resumption,

⁶⁴Based on the Promotion of Civil Justice System Reform(March 10, 2020 agreement of the Liaison Council of the Relevant Ministries and Agencies concerning the Promotion of Civil Justice System Reform).

continuation, and expansion of sports and cultural arts activities so that people will be able to resume lives that are full of vitality and enrichment, and so that sports and the cultural arts will continue to light up people's lives.

In order to hold Olympic and Paralympic Games Tokyo 2020, successfully as the recovery and reconstruction Games next summer, the government will take measures to deal with the pandemic and summer heat, enhance Japan's international competitiveness in sports and create a legacies by hosting the Games as proof that humanity has defeated the pandemic. The government will embark on a new age by promoting the revitalization of society and the economy through sports and the building of healthy towns, reviving Japan through the power of sports.

To expand and preserve the cultural arts, the government will develop a national brand for Japan by strengthening the activity bases of cultural organizations, holding the Japan Cultural Expo and other events nationwide, envisioning a national center for media arts, using the latest technology to communicate. The government will support initiatives for protecting cultural assets that are local treasures⁶⁵ and aid for the continuity and improvement of cultural resources such as traditional events, foods, and Japanese heritage, implementing local activities with the power of the cultural arts.

⁶⁵ Planned repairs to cultural assets, disaster prevention and crime prevention measures, programs to develop human resources and preserve raw materials and objects, and training in traditional skills.

3. Ramping up investment in people and innovation: Supporting the “New Normal Lifestyle” through improved productivity

The temporary closure of schools during the pandemic has shown how Japan is lagging in providing public education online. Retaining access to education has become a challenge. The government will guarantee our children’s education by promoting digital and remote learning and taking steps to improve the quality of education and prevent disparities in classroom environments through the horizontal expansion of best practices and PDCA. Advanced ICT will unlock global opportunities for our children, broaden their possibilities, and make it easier for teachers to interact with their students. From the standpoint of developing qualifications and skills that can proactively deal with economic and social change and its creation, the government will eschew conformist education in which only one answer is correct, and from the standpoint of placing students first and increasing their independence, the government will develop human resources who possess creativity and the skills to identify and solve challenges.

To facilitate social reform by dealing with digitization and other challenges to lead the world into Society 5.0, the government will strategically and enthusiastically promote science and technology and innovations that truly work for society and embark on a new era in which the investment recession that followed the 2008 credit crisis will never be repeated.

(1) Development of human resources with creativity and the skills to identify and resolve challenges

① Reform of elementary and secondary education, etc.

The Government will secure a safe and comfortable educational environment⁶⁶, and the relevant parties will carefully consider how to create a learning environment for the new age⁶⁶ by utilizing ICT and deliberately putting in place a system of instruction that uses small class sizes to guarantee access to learning for all children⁶⁷ even during temporary school closures and other emergencies. The national and local governments will join together in expediting the GIGA school concept^{68,69} by developing and using digital textbooks, other educational materials, and content, adding more external human resources, and improving networks. The government will also create the

⁶⁶ This includes construction and maintenance of school facilities, including countermeasures against the deterioration and promoting barrier-free access, and school safety measures that incorporate the concept of safety promotion schools, which implement empirically proven safety measures throughout the organization.

⁶⁷ Including children attending overseas Japanese schools, middle school night classes, and the like.

⁶⁸ A concept aimed at education that fosters creativity optimized to each and every child and that is based on a policy package that combines hardware, software, and human resources together in achieving efficient use of ICT and advanced technology enabling each child to have a computer terminal. GIGA = Global and Innovation Gateway for All.

⁶⁹ Early execution of the FY 2020 supplementary budget, acceleration of revisions to the Five-Year Plan for Creating an Environment for Incorporating ICT into Education (FY 2018–2022) and other initiatives, and early implementation of other related policies.

communications environment required so that each child will have a computer terminal and thus quickly achieve effective remote and online education. The government will promote the expansion of ICT teaching capability among teachers; support ways to utilize ICT; transition to assessment that focuses on academic achievements; create special needs education programs that incorporate ICT, measures to deal with bullying and truancy, and learning plans that are tailored for each individual student; and standardize educational data and its use.

To increase children's creativity and achieve various and personalized and adjusted authentic learning connected to their skills and traits, level of proficiency and view of the local situation, the government will expand learning beyond types of schools and school years, improve support and instruction of gifted and talented individuals, STEAM education, and learning how to solve problems (PBL⁷⁰). The government will also take a comprehensive look at educational curricula, teacher's licensing, and faculty configurations, subject teaching system at elementary schools and allowing more flexibility in the number of teaching hours. The government will promote the establishment of night middle schools that teach diverse students. The government will encourage children's experiential activities, such as nature-experience and the cultural arts to nurture feelings of abundance and creativity.

The government will strive to nurture information literacy and active learning in the new National Curriculum Standards and to study and analyze the GIGA school concept, and the government will work toward the establishment of new grading methods, the visualization of outcomes and challenges, and thorough reform and quality improvements by implementing EBPM and PDCA.

② Reform of universities, etc.

To nurture STEAM personnel, the government will promote remote and online education through partnerships with domestic and foreign universities and corporations, improve our research facilities, and digitize and enable remote access to the education and research environment. The government will also promptly reorganize the system for developing teachers specialized in data sciences and statistics. The government will promote the development of education that produces advanced human resources, including doctoral programs and hands-on vocational education that meets the needs of society through partnerships and collaboration with corporations, etc., at professional and vocational universities, professional training colleges, and graduate schools, and will internationalize and improve colleges of technology, developing interdisciplinary

⁷⁰ Project-based Learning.

human resources through creating partnerships such as medical and –engineering fields.

The government will expand the international circulation of brain power that attracts talented individuals to Japan, the Tobitate! (Leap for Tomorrow) Study Abroad Initiative for students in Japan, joint research and the transfer of credits through university exchange agreements, and international partnerships in education programs.

With regard to reform of national universities, the government is studying a new legal framework that will enable strategic university management⁷¹ with a decision to be made by the end of the year. Under new contractual arrangements in which national universities will gain autonomy from the government, the independence of personnel will be ensured under a global evaluation and promotion system and the universities will have the freedom to manage their student capacity, provide a high-quality education that uses digitization, and operate global campuses that incorporate remote exchange students and faculty. In addition, the government is giving specific thought to what kind of finance and accounting systems these universities should have so that they can manage their operations strategically. The government is considering new allocation rules⁷² for the fourth medium-term goals period, as the government gradually expands the reallocation rates and those eligible for allocations, based on the outcomes of common, objective metrics for National University operating support funds. The government intends to promote partnerships and mergers among universities, offer assistance in the form of local financial aid programs to public universities that contribute to the community, and increase flexible allocations of financial aid to private institutions in general.

The government is looking at the status of implementing free higher education in view of the impact of the pandemic, and the government is giving thought to equal opportunity in access to universities, etc., by the middle-income class.

③ Recurrent education

The government will promote remote and online learning, educational training benefits for working people, and human resources development support grants for business owners and will expand these programs at universities, while at the same time implementing recurrent education nationwide so that people of all ages can take up new challenges and help people who may be 40 or older to take stock of their careers. The government will strengthen practical programs that fortify partnerships and ties with the business community in a variety of fields, as well as bolstering e-learning so that people

⁷¹ Making them not subject to the Act on General Rules for Incorporated Administrative Agencies (Act Number 103, 1999) is among the matters being considered by the Council for Discussing the Achievement of Strategic Management at National Universities, which was established in accordance with the Basic Policy 2019.

⁷² Consideration of programs for reforming universities based on consistent assessment metrics.

will not be hampered by the digital divide. To nurture human resources who create value and cannot be replaced by machines or AI, the government will support the development of educational programs that employ the latest IT, technologies, and cutting-edge teaching methods. The government is progressing with investigating systems to strengthen incentives that promote investment in human resources geared toward nurturing STEAM and digital specialists.

(2) Expediting innovation, science, and technology

With the goal of being the most innovative country in the world, the government will lead the world by revolutionizing Japan's future with the knowledge of the humanities.

In the next Basic Plan for Science and Technology and Innovation, the government will review the progress of and assess the initiatives taken so far,⁷³ and focusing on digitization and other areas that contribute to the solution of social issues, the government will bolster incentives, with priority given to human resources development, and expand R&D investment through PPPs by setting goals for promoting innovations to deal with new social issues so that the government will not have another investment recession like the one experienced after the 2008 credit crisis. The government will take the following steps by strengthening of the functions of the relative chief controllers and promoting mutual partnerships.

To attain top-level international research capability, the government will take steps to strengthen support for young researchers, including doctoral candidates, by improving the management of doctoral programs, securing stable jobs at universities, and expanding career paths in the business world. The government will comprehensively expand university reform and reform of research staffing, funding, and conditions, with the goal of further strengthening research capabilities, including in foundational research. In order to promote the development of young human resources and the establishment of joint usage facilities and data coordination platform for universities, that conduct world-class R&D, a world-class fund will be established through collaboration among universities based on the result of reviewing acceleration of university reform, adjustments of existing efforts, and collaboration with the private sector. The fund will realize a mechanism for building a world-class research foundation by utilizing the operating profits.⁷⁴ The government will focus on supporting women researchers and promoting researchers' transfers, improve human capital

⁷³ During the Fifth Science and Technology Basic Plan (Cabinet Decision of January 22, 2016), the goal was to achieve government R&D investment equivalent to 1% of the gross domestic product (GDP) while coordinating with the Economic and Fiscal Renewal Plan. If corporate investment in universities and national research institute can be tripled by 2025, the goal is for combined public-private R&D investment to exceed 4% of the GDP.

⁷⁴ Among the funds of major global universities, the U.S. totals approximately 65 trillion yen, with Harvard University at approximately 4.5 trillion yen, Yale University at approximately 3.3 trillion yen, and Stanford University at approximately 3.1 trillion yen. Others include the University of Cambridge (approximately 1.0 trillion yen) and the University of Oxford (approximately 820 billion yen). *2019 figures for each university, 2017 figures for the U.S. total (all are the most recently available figures).

through diversification, and strengthen our international cooperation. The government will achieve outcomes linked to disruptive innovations by supporting Moonshot Research Development Program and diversity and fusion oriented research. In addition to pursuing the utilization of intellectual property and other intellectual property strategies,⁷⁵ the government will strengthen the structure that promote agile and strategic international standardization through PPPs, including cutting-edge technologies and systems. Moreover, regarding strategic investment in R&D by PPPs, the government will promote programs that maintain and strengthen the innovation ecosystem⁷⁶ and will promote open innovation by creating an environment that encourages corporate reorganization, including supporting initiatives for companies to utilize external research resources and the matching of expert human resources, consideration of moving PPP entities out of house, aid to promote investments in startups, optimization of contracts between large corporations and startups, and spinoffs.

The government will strategically promote essential cutting-edge technologies, such as digitization, remote applications, AI, robots, quantum technology, regenerative medicine, biotechnology, materials innovations, and innovative environmental energies, along with R&D in the field of space, including space exploration through the Artemis program, the development of satellites such as the Quasi-Zenith Satellite System in collaboration with government bodies, and the development of mainstay rockets, and in the field of ocean including Arctic research.⁷⁷ The government and the private sector will promote strategic and, high-quality research and development in response to social challenges such as SDGs, through the study of establishing a new system that includes a think tank function and by focusing on budgets and human resources in important technology fields that ensure the safety and security of the nation and its citizens, —such as countermeasures against infectious disease and disaster prevention and mitigation, including research and development of effective therapeutics, medications and vaccines.

Besides using more private-sector funding of R&D, strategically promoting large-scale research facilities⁷⁸ including international those leading the exploration of the world's academic frontier, and using industry–academia–government partnerships to the fullest extent possible, the government will promote joint public–private efforts and

⁷⁵ Intellectual Property Promotion Plan 2020 (May 27, 2020 decision by the Intellectual Property Strategy Headquarters).

⁷⁶ Furthermore, to encourage industry–academia partnerships and avoid a slowdown in startup businesses as a result of the pandemic, the government will strengthen joint industry–academia–government R&D and university-led ventures for the creation of new businesses that will be involved in social reform and resolving social issues, support the building of co-creation spaces headed up by regional universities, and education in entrepreneurship.

⁷⁷ Development of offshore resources, such as methane hydrates and rare-earth mud, and polar research, including Arctic research vessel.

⁷⁸ The government is considering large-scale academic research projects in fields such as biology, medicine, particle physics, astronomy, and information sciences in the context of public awareness, the progress of domestic discussions within the scientific community, and international cooperation and responsibilities.

use budget funding effectively with respect to large-scale research institutions that have a good track record in attracting private-sector investment. The government will also conduct comprehensive review of competitive research grants such as Grants in Aid for Scientific Research, promote the planned sharing of research facilities and equipment, and build a platform for enabling research more digital, remote and smarter way⁷⁹

⁷⁹ Including improving the network for academic data (SINET) and the supercomputer “Fugaku”.

4. Achieving an inclusive society that supports the “New Normal Lifestyle”

The current pandemic has given us renewed awareness of the importance of a flexible healthcare delivery system, data usage, and health and prevention. The government will make steady progress to strengthen the foundation of our social security system to build a social security system that will support the “New Normal Lifestyle,” and the government will work toward the realization of an inclusive society where no one is left behind by preventing the widening of disparities by assisting women and young people who are experiencing difficulties,⁸⁰ protecting older people in our communities and local societies, and building inclusive local communities that provide mutual aid and facilitate networking and linkages among people.

(1) Building social security for the “New Normal Lifestyle”

In view of the current circumstances and the impact of the pandemic, a pressing challenge right now is the need to make full preparations to put in place a healthcare delivery system that can respond appropriately to an increasing number of new COVID-19 cases. The government will also take steps to improve the testing system, strengthen the system of public health centers, and enhance measures to deal with disease clusters. In addition, given the renewed recognition of the importance of everyday health management through “stay at home” orders, the government will further promote programs for evidence-based disease prevention and health promotion and programs to prevent the pandemic.

In analyzing and evaluating the progress of implementing our current policy with regard to the pandemic, the government will increase our efforts vis-à-vis the following initiatives, with a renewed awareness of their importance. The government will review the current increase in medical treatment fee, the status of available hospital beds and residential care facilities, and the best way to utilize data, and the government will reconstruct our healthcare delivery system so that it can respond more quickly and flexibly. In accordance with the Basic Policy 2018 and the Basic Policy 2019, the government will steadily bolster the foundation of the social security system, build a social security system that will be able to function in an era when people live to be 100, maintain world-class universal health insurance and pension coverage, and strive to hand them down to the next generation as sustainable systems.

① Establishing a healthcare delivery system that works in the “New Normal Lifestyle”

⁸⁰ Including the measures discussed previously in Chapter 3, Section 1(3)②.

(Building a flexible and sustainable healthcare delivery system)

In advance of the next big wave of the pandemic, the government will deal promptly with the issues facing our healthcare delivery system, which have become apparent during our experience to date. The government will enable the prefectures to ascertain testing capabilities and the number of hospital beds in secondary medical areas and smoothly implement the necessary adjustments, and the government will create a mechanism that can coordinate cooperation among healthcare workers in medical institutions. In addition, the government will create a mechanism whereby the Minister of Health, Labor and Welfare will direct the coordination of healthcare-related staffing assignments and the use of medical equipment and hospital beds across prefectural boundaries. In view of the special measure vis-à-vis medical treatment fee and the impact of our comprehensive emergency COVID-19 pandemic grants in aid, the government will continue to monitor the operations of medical institutions and pharmacies and discuss and implement those measures deemed necessary so that patients will have confidence in being able to receive medical treatment. In addition, the government will give full consideration to and make decisions regarding the FY 2021's revision of drug price revision which is based on the drug price survey in this FY 2021, bearing in mind the impact of the novel COVID-19 in addition to the Basic Policy 2018, etc.

The government will take specific steps as soon as possible to embody the design of a high-quality, efficient, and sustainable healthcare provision system that include our response to infectious diseases. It is expected to vitalize the discussion of the Coordination Council for the regional healthcare strategy, and simultaneously encourage the prefectures to promote differentiation and coordination of the healthcare functions based on healthcare data in accordance with the appropriate governance.

In the course of implementing partnerships and the allocation of functions among hospitals and clinics, the government will promote the spread of family doctors, family dentists, and family pharmacists, taking into consideration the optimal setup for such family practices.

(Promoting data usage in the medical and long-term care fields)

To be absolutely thorough in our responses to the pandemic, disasters, and emergencies, the government will act quickly to utilize data and make it available online in the medical and long-term care fields, and the government will promote Data-based Health Management Initiatives, including the expansion of PHR.

By the end of FY 2020, the government will have fully launched “health care data platform”, which uses Individual Numbers as health insurance policy numbers and Online Confirmation System for Health Insurance Qualification. Moreover, with respect to a system for patients and medical institutions throughout the country to be

able to check their own health and medical data, specific medical checkup data will be available in FY 2020, receipt-based data on medications will be available in FY 2021, and data on surgical operations, etc., will be available in FY 2022. Other types of data will be incorporated depending on the results of cost-benefit analysis and the need for such information linkages and on technological developments. The government will specify the procedures concerning Data-based Health Management Initiatives by the end of 2020. The government will consider measures that further the protection and utilization of personal information in the medical field. The government will implement programs that standardize data for insurers' health plans. Based on the March 2020 Future Initiatives in the Reform of Examination and Payment Agencies, the government will steadily implement such reforms as making examination and payment systems and their managements function more comprehensively and efficiently. The government will implement more programs for evidence-based, long-term care and nutrition.

With respect to consideration of the issues and usefulness of online medical treatment and other provisional measures, the government is studying appropriate rules for the promotion and dissemination of systems for online medical treatment and electronic prescription systems by observing evidence from feedback provided by medical examinees and others concerned. The government plan to launch the electronic prescription system by summer 2022, and the government will efficiently use the existing setup in the meantime. Regarding distance health consultations with physicians, the government envisions their efficient use while we review the existing business.

The government will promote consolidation and streamlining of the pharmaceutical regulations, which will spur the development of medications and of medical devices that use AI.

The government will address staffing shortages in the fields of long-term care and welfare for those with disabilities during the pandemic and will focus on improving productivity from the standpoint of using methods that do not require personal contact as much as possible. In addition to promoting the use of AI in healthcare planning, to embark on the robotization of long-term care, the government will use evidence from effects testing to figure out how to promote reform in personnel allocation under the upcoming revision of fees for long-term care. The government will expedite programs to simplify, standardize, and digitize documents and to offer long-term preventive care services remotely. The government will steadily promote the transition to international standards and data digitization in the fields of medical treatment and long-term care.

② Promoting precautionary health measures, healthy lives, and serious disease

prevention in response to the “New Normal Lifestyle”

In response to the “New Normal Lifestyle,” the government will implement measures to deal with fevers and further strengthen multidisciplinary partnerships for the prevention of diabetes, cerebrovascular and cardiovascular diseases, and other lifestyle-related diseases and chronic kidney disease, as well as for preventing the spread of such diseases. The government will encourage the use of online health consultations and prioritize the reform and streamlining of medical exams, including the use of blood pressure tests that employ new technology, so as to reduce the burden of medical consultations.

As to family doctors and other matters affecting patients’ lives in the community, the government will form model projects to link various types of assistance in the local community.⁸¹

The government will further study the correlation between oral health and health of the entire body, with a view to preventing bacterial diseases and viruses. The government will strengthen dental and oral health provided by dentists and dental hygienists, which is also linked with contagion prevention programs, programs dealing with frailty, dental exams throughout one’s life, and the provision of proper evidence-based data to citizens. The government will also promote collaboration among dental specialists, medical and dental schools, long-term care facilities, and welfare facilities for disabled persons, and will build and strengthen the dental care and healthcare delivery system.

The government will promote self-medication through the dissemination of non-prescription drugs.

The government will continue the Implementation Plan for Whole Genome Analysis and encourage the development of a system whereby people in industry, government, and academia can analyze and put into practice new personalized medicine plans for patients who currently lack treatment.

(2) Promoting measures to raise incomes and preventing the widening of disparities

① Assisting the “employment ice age” generation

Based on “the Employment Ice Age Generation Assistance Program”, “Comprehensive Economic Measures for a Future of Stability and Growth”, and “the 2019 Implementation Plan for Employment Ice Age Generation Assistance”,⁸² which

⁸¹ A set-up called "social prescription."

⁸² December 23, 2019 decision by the council of Cabinet ministers concerned with the promotion of assistance to the employment ice age generation.

were all put in place in 2019, the government will implement a three-year targeted program to encourage them to improve engagement from its current level, work and participate in society. To this end, the government will adhere the target to increase the number of persons employed full-time by 300,000, and will continue to assist them steadily.

Using grants to expedite assistance to the employment ice age generation in local communities, for the three-year period starting in FY 2020, the government will offer proactive assistance in all regions, taking into consideration the circumstances and needs of the people in that generation.

The government will also encourage their hiring as civil servants, as well as their hiring by private firms. On the national level, the government will administer a new government service mid-career hire selection exam (for the employment ice age generation) for three years starting in FY 2020 and will continue our existing programs for mid-career hires, taking the past hiring results as a rule of thumb. The government will also continue to require this on a national level so that local governments will be able to actively hire people in accordance with local conditions.

② Raising the minimum wage

Higher wages are the key to sustaining a favorable economic cycle. With that in mind, the government is constantly taking steps to create an environment that facilitates wage hikes, such as by improving the productivity of the Japanese economy as a whole and instituting best practices in business. As regards the minimum wage, our firm policy is a goal of achieving a national weighted-average of 1,000 yen ahead of schedule.

At the same time, the pandemic has had a serious impact on employment and the economy, so that protecting jobs is now a top priority for the public and private sectors. Consequently, for this fiscal year, our discussions regarding the minimum wage are taking into account the harsh conditions being experienced by SMEs and microenterprises.

(3) Fostering social partnerships and mutual aid

With respect to private-sector initiatives dealing with social challenges, including the achievement of SDGs, the government is encouraging the use of dormant deposits, and social finance that broadly call for contributions, funds and human resources in the private sector. We will create an environment in which corporations engaging in specified non-profit activities can pursue business easily, including encouraging them to

put their administrative processes in accordance with the NPO Act⁸³ online. We will also encourage social businesses to partner with the public and private entities and to galvanize their social programs.

The government will offer support for housing and livelihoods through the housing safety net system and build a comprehensive support system for local inclusive communities. The government will implement policies based on the National Framework for Promotion of Dementia Policies⁸⁴ and will encourage the use of adult guardianship system. Based on the new General Principles of Policy among Children,⁸⁵ the government will tackle child poverty throughout society by offering assistance to single-parent families and other measures.

Regarding health, prevention of recidivism, employment assistance, and other social programs, the government will promote PPPs in areas such as PFS contracts. The government will proactively use SIBs⁸⁶ in raising private-sector funds for this endeavor.

To deal with ex-convicts, the government will strengthen measures to prevent recidivism⁸⁷ through assistance programs at rehabilitation facilities.

With respect to aid for children with disabilities, the government will seek to improve the medical care system in schools and implement programs that will provide services tailored to the needs of each child through partnerships among families, schools, and welfare institutions, including children who require constant medical care. The government will promote awareness throughout society and offer assistance to families and other programs regarding developmental disorders. The government will enhance programs for those with hard of hearing in accordance with their needs in terms of age and life stage. These will include setting up support programs in every community to assist children with hard of hearing from an early age and older person with hard of hearing. The government will promote education for persons with disabilities and employment of people with disabilities, support for job retention based on the characteristics of various disabilities, support for employment of challenged people in regional areas, and promote the procurement of supplies at workplaces for people with disabilities.⁸⁸ The government will implement measures to deal with intractable diseases, including improvement of the healthcare delivery system.

⁸³ Act on Promotion of Specified Non-profit Activities (Act Number 7, 1998).

⁸⁴ June 18, 2019 decision by the council of cabinet members concerned with the promotion of policies on dementia.

⁸⁵ Cabinet decision of November 29, 2019.

⁸⁶ Social Impact Bonds. Private-sector businesses that act as project subcontractors under the performance-driven, private-sector subcontracting system will raise the funds needed to implement the relevant project from financial institutions and other funding sources and will repay the funds with payments received from local governments in line with their project performance.

⁸⁷ Based on the Plan for Expediting the Plan to Promote the Prevention of Recidivism (December 23, 2019 decision by the council of cabinet ministers for anti-recidivism measures). This includes support for learning.

⁸⁸ Based on the Act Concerning Promotion, etc., of the Government's Acquisition of Materials, etc., for Workplaces for People with Disabilities (Act Number 50, 2012).

The government will offer support to hikikomori sufferers (i.e., individuals with acute social withdrawal or isolation) that is tailored to their individual wants, pace, and personalities so that they can all take part in society with self-esteem in accordance with their individual situations. The government will also bolster programs for the protection of human rights in view of social conditions such as human rights violations on the internet and discrimination against people with diseases and medical personnel.

The government will strengthen and improve the “Comprehensive Measures for Acceptance and Coexistence of Foreign Nationals”.⁸⁹ The government will increase the fields that can accept the specified skilled workers according to the appropriate inter-agency considerations presided over by the Ministry of Justice with the administrative agencies in those fields indicating that they are experiencing severe labor shortages circumstances. Overall, the government will optimize management of the Technical Intern Training Program.⁹⁰ The government will discuss reviewing the Specified Skilled Worker System two years after the system goes into effect. The government will further promote multilingual services in fields such as healthcare and will implement seamless aid to foreign nationals through the flexible use of the subsidies for preparations for an environment to accept foreign nationals. The government will strive to achieve conditions where most international exchange students can get a job and be active in Japan, if they so desire. To this end, the government will promote the use of our Handbook⁹¹ in the diversification of post-hire job treatment and hiring processes, and in FY 2020, the government will establish a status of residence to promote start-ups by international students.⁹² The government will implement managerial improvements, such as improving systems that use ICT to ascertain residency status, optimizing the management of registration records, and inspecting job sites to investigate the disappearance rate of technical intern trainees, and the government will also consider digitizing certificates of eligibility status of residence and online payment of fees.

5. Achieving a vibrant economy in a new world order

With the spread of the pandemic has come a growing trend toward nationalism and anti-globalization, and could affect the global order, including the free trade system.

⁸⁹ July 14, 2020 decision by the Ministerial Conference on Acceptance and Coexistence of Foreign nationals (FYFY 2020 revise). These measures improve aid for the matching of specified skilled workers, strengthen the system of Japanese language education by introducing certified Japanese language teachers (tentative name), and provide foreign nationals with assistance for their children’s education.

⁹⁰ Regular verification that compensation, etc., is on a par with that of Japanese employees, acknowledgement of the possibility that the training site may be changed in the event of human rights violations, etc.

⁹¹ Handbook for the Hiring of Exchange Students from Foreign Countries and Their Activities During Employment (February 2020).

⁹² The percentage of foreign exchange students employed in Japan is only 35% (Japan Student Services Organization, Results of the FY 2018 Annual Survey on International Students in Japan).

Under these circumstances, it is essential that Japan remains strategically crucial to the international community and continues to earn its trust and respect. As the nations of the world search for ways to achieve the New Normal Lifestyle, Japan will be on the front line, leading the world in tackling global challenges, such as digitization, trade and investment, and climate change, through international cooperation and linkages. The government will also build a resilient economic and social structure from the standpoint of economic security. As a prerequisite for such initiatives, the government will promote a “Free and Open Indo-Pacific”, strengthen our cooperation and partnerships with countries that share our basic values, and improve protections for Japanese nationals overseas, as the government continues to promote its foreign policy implementation structure,⁹³ which will play an essential role in this process. As the international order becomes increasingly unstable, while taking the changing circumstances the government will work to develop its necessary defense capabilities and the coast guard system, systems, so as not to show any vulnerability.

(1) An international economic system based on free and fair rules

The government will spearhead the formulation of rules for free and fair trade and investment as the government promotes better inspection and monitoring regimes following international standards and arrange pandemic risk management criteria with respect to the international movement of people.

The government will further promote economic partnerships so that protectionism will not regain a foothold, and the government will work toward the international standardization of free and fair rules for the 21st century as set forth in TPP11, the Japan–EUEPA, and other agreements. Regarding TPP11, the government will encourage prompt conclusion by those countries that have not yet done so and will work to expand TPP11’s new rules countering protectionism by welcoming new countries and regions as new members. The government is also aiming for our signing within this year and the early entry into force of the Regional Comprehensive Economic Partnership (RCEP) Agreement, which is currently being negotiated this year, which is currently being negotiated, and its early entry into force.

To ensure fair competition, the government will resolve market-distortions and formulate rules for new areas,⁹⁴ such as electronic commerce, as well as advancing reform of the World Trade Organization (WTO). In accordance with the “Osaka Track” and based on the concept of DFFT,⁹⁵ the government will promote international

⁹³ This includes increase in the number of Japanese working at international institutions.

⁹⁴ Including by strengthening collaboration with international institutions such as the United Nations Commission on International Trade Law (UNCITRAL).

⁹⁵ Data Free Flow with Trust. This refers to data flows that are free and reliable.

rule-making regarding the digital economy including data flows in cooperation with international institutions and industry.

The government will further expand trade and investment with the U.S. to the mutual benefit of both countries including through implementation of the Japan–U.S. Trade Agreement. With the EU, the government will further strengthen economic ties through the implementation of a Japan–EU EPA and a Japan–EU Strategic Partnership Agreement (SPA). For the United Kingdom (UK), the government will swiftly establish a new future economic partnership with the UK after its withdrawal from the EU and will share related information with Japanese companies as the transition period end.

With the TPP11 entering into force, the Japan–EU EPA, and the Japan–US trade agreement, the government will promptly implement policies in accordance with the Comprehensive TPP-Related Policy framework.⁹⁶ The government will encourage the signing of investment-related agreements and utilize Official Development Aid (ODA) to promote Japanese companies' expansion overseas.

(2) New international cooperation through stronger international harmonization and partnerships

To overcome the pandemic, the government will speed up the development and dissemination of efficacious medicines and vaccines by gathering together knowledge from around the world. Specifically, the government will expand international clinical research on medicines and vaccine candidates and contribute globally through funding to CEPI⁹⁷ and Gavi.⁹⁸

To keep the pandemic from spreading and preventing it from entering into Japan, the government will partner with the World Health Organization (WHO) and other international organizations, create a system for international cooperation, and help improve public health and healthcare systems in countries where the likelihood is high that the pandemic will spread. In particular, for developing countries with vulnerable health systems, the government will further expand grant assistance in health sector including the provision of medical products and supplies as well as technical cooperation.

Furthermore, taking the lessons learned from the current crisis, the government will work toward strengthening the pandemic prevention system of the world and to achieve universal health coverage (UHC).⁹⁹ Through both the Asia and Africa Health and Well-being Initiatives, the government will promote the overseas expansion of Japan's

⁹⁶ December 5, 2019 decision by the government's TPP Headquarters.

⁹⁷ Coalition for Epidemic Preparedness Innovations.

⁹⁸ Gavi, the Vaccine Alliance.

⁹⁹ This includes the Nutrition Summit, to be held in 2021.

healthcare industry and encourage further regulatory harmonization in Asia.¹⁰⁰ The government will also take a leading role in measures to counter anti-microbial-resistance.

The government will properly carry out the recovery of the remains of war dead both domestically and overseas, including DNA identification.

Regarding the relations with North Korea, the government seeks to normalize its relations with North Korea through comprehensively resolving outstanding issues of concern, such as the abductions, nuclear and missile issues, and settling the unfortunate past in accordance with the Japan-DPRK Pyongyang Declaration.

The government will make Kyoto Congress 2020 a success and further promote “Justice Affairs diplomacy” based on centralized diplomacy.

The government will also steadily prepare for large-scale international expositions scheduled in the future such as the Expo 2025 Osaka, Kansai in Japan.¹⁰¹ To ensure public safety, the government will do everything possible to prevent acts of terrorism and enhance cybersecurity.

(3) Building a resilient socioeconomic structure through supply chain diversification, etc.

In light of the supply chain weaknesses revealed as a result of the pandemic, the government will promote the diversification and resilience of domestic and overseas supply chains regarding concentrated production sites. Furthermore, the government will foster the formulation of rules for economic security so that the government have more supply flexibility with countries that share our values. Besides bolstering social capital directly linked to the improvement of productivity vis-à-vis our roads and ports, the government will work to ensure that Japan has the necessary air, rail, and other transportation capabilities. The government will also expedite programs to improve distribution efficiency and safety using data and new technologies. From the standpoint of global supply chain resilience, the government will work with the public and private sectors to secure a stable supply of energy and mineral resources and strengthen the competitiveness of our maritime industry, including marine transportation and shipbuilding, through industry partnerships.

To safeguard and maintain Japan’s technological excellence, the government will consider and build mechanisms and systems, including those on the institutional side, and collect related information useful for preventing technology leakage from

¹⁰⁰ Implementation strategy for the Grand Design for Asian Pharmaceutical and Medical Device Regulatory Harmonization (July 14, 2020 decision by the Headquarters for Healthcare Policy).

¹⁰¹ The World Masters Games 2021 Kansai and the 19th FINA World Championships 2022 Fukuoka.

universities, research organizations, and companies.

By creating environments that are receptive to overseas financial institutions, the government will aim to establish international financial cities that will serve as international financial hubs for Asia and the world, by gathering talented human resources, capital, and information from around the world.

The Bank of Japan will explore Central Bank Digital Currency (CBDC) by, for example, conducting experiments on technical aspects while coordinating with other countries.

(4) Contributing to environmental and global issues focusing on Sustainable Development Goals (SDGs)

Triggered by the current pandemic, the Government of Japan, in collaboration with private sector, will generate the momentum to promote SDGs both domestically and internationally, and will lead the international rule making and strengthen innovation, related investment and business.

The government will expedite specific programs in accordance with ideals of human peace and security, setting next 10 years as the Decade of Action aimed at achieving our SDGs targets by 2030. In particular, the government will lead the world in bolstering investment and programs in such areas as high-quality infrastructure, issues relating to the environment, climate change, and energy, and in public health. The government will also promote SDG initiatives in such areas relating to women, disaster prevention, education, digitization, and water cycle.

Based on the long-term strategies of the Paris Agreement,¹⁰² the government will implement programs for the de-carbonization, such as the development of hydrogen energy, so that the government can achieve a positive cycle of environment protection and economic growth. This will be based on the Plan for Global Warming Countermeasures, which is scheduled for revision. In particular, the government will promote investment and R&D in accordance with the Environment Innovation Strategy¹⁰³ and strive for Beyond Zero, which aims to further reduce carbon dioxide, which has continued to increase ever since the Industrial Revolution, more than the zeroemission. The government will promote environmental, social, and governance (ESG) investment through such means as the issuance of “green bonds.” To carry out our international responsibility in relation to de-carbonization, the government will promote thorough energy saving, and will aim to utilize renewable energy as main power sources, installing it as many as possible while suppressing the financial burden

¹⁰² Long-term Strategy for a Growth Strategy Based on the Paris Agreement (Cabinet Decision of June 11, 2019).

¹⁰³ January 21, 2020 decision by the Council for the Promotion of Comprehensive Innovation Strategies.

on citizens. The government will steadily implement investment in the necessary power sources and power transmission and distribution systems, and then promote cost-efficiency measures and initiatives for true local production and consumption, such as decentralized energy systems. In addition to promoting safety-first measures in restarting nuclear power plants, the government will work steadfastly to bring about the effective regulation of nuclear energy and to design a system for the prevention of nuclear power disasters.¹⁰⁴ The government will promote R&D for the future, such as better furnaces from the standpoint of safety.

Through the integrated promotion of disaster prevention programs and measures to counter climate change, the government will promote revitalization and reconstruction that is adapted to climate change, including controls on land use in accordance with local conditions (adapted reconstruction).

The government will promote the preservation of biodiversity through efforts such as the Satoyama Initiative and spearhead both domestic and international efforts dealing with marine plastic litter, with a goal of realizing the Osaka Blue Ocean Vision shared at the Group of Twenty (G20) summit meeting.

¹⁰⁴ Including securing evacuation routes using the highway infrastructure and facilitating evacuation procedures with model testing programs.