

Environmental Changes Surrounding Japan

- Changes in the global economy:** Not only simple economic recovery, but also dynamic changes affecting the economic structure and competitive environment are taking place
 - Carbon Neutrality, Digitalization, New Developments in International Business Relations and in the International Order
- Changes toward the future in the country:** Opportunities to proceed with challenges, that have not been tackled before, at a stretch
 - Flexible working styles and changes in business models, Heightened awareness of environmental issues, and Signs of a change in the excessive concentration of the population in Tokyo

Taking into account changes at home and abroad, strategically promote structural reforms and create a foundation for sustainable post-Corona growth

Overcoming infections and promoting a virtuous economic cycle

- Building a resilient and reliable economic society against infections**
 - Measures to prepare for emergencies involving infections (System for providing medical care, vaccines, etc.)
 - Continue and thoroughly implement effective infection prevention measures
- Acceleration and expansion of the virtuous economic cycle**
 - Taking thorough measures to maintain business continuity, secure employment, and support livelihoods
 - Flexible macroeconomic policy management without hesitation toward autonomous economic growth

Pushing forward the Four Driving Forces of Growth

- Realization of a green society**
 - Stimulating private investment and innovation through Green Growth Strategy
 - Energy and resource policies toward decarbonization
 - Utilizing carbon pricing that contribute to growth
- Acceleration of digitalization by the public and private sectors**
 - Establishment of digital government
 - Acceleration of DX in the private sector
 - Development of digital human resources, elimination of digital divide, cybersecurity measures
- Revitalizing Japan as a whole through the creation of vibrant local regions**
 - New flow of people to rural areas, multi-core cooperation, building of decentralized land
 - Dynamic mid-sized enterprises, SMEs, and microenterprises, and wage increases
 - Tourism and inbound, agriculture, forestry and fisheries, sports and cultural arts
- Overcoming the declining birthrate and realizing a society that makes it easier to have and raise children**
 - Realizing a society that grants wishes to get married and have a baby as well as making raising children easier
 - Creating an environment to ensure the security of children who will bear the future and measures against child abuse

Integrated economic and fiscal reforms

- Progress in reforms and problems revealed while dealing with infectious diseases**
 - Reform in each individual sector**
 - Reforms to social security system for all generations, division of roles between national and local governments, education, science and technology, improvement of social capital, tax reform
 - Frame for further promotion**
 - Under the concept of “the economy is the foundation of public finance,” the Government will do its utmost to overcome deflation and revitalize the economy.
 - Firmly Maintaining the Fiscal Consolidation Target (FY2025 PB surplus, etc.)
- * Within this fiscal year, we will review the impact of infectious diseases on the economy and finance, and reconfirm the target fiscal year.
- Continuing the existing efforts to reform government expenditures (benchmarks for expenditures) for three years from FY2022 to FY2024

Disaster Risk Reduction and mitigation, and national resilience Reconstruction from the Great East Japan Earthquake, etc.

- Building a foundation to support the four driving forces**
 - Quality education, innovation, women, youth, safety nets, measures against loneliness and isolation, work style reform, recurrent education, economic security, economic partnership, FDI in Japan, foreign human resources, diplomacy and security, safe and secure living

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(1) Prevention of infectious diseases, virtuous economic cycle

~ Building a resilient and reliable economic society against infectious diseases

- Strengthening the medical care delivery system

- Ø Emergency response under a more powerful control tower, support for medical institutions that accept patients with infectious diseases, and securing beds, doctors, etc.

- Efforts for vaccines

- Ø Complete the vaccination of the elderly who so desire by the end of July this year, and aim to complete the vaccination of all target persons who so desire by October to November this year.

- Ø Support the research and development and commercialization of effective therapies and domestic therapeutic drugs, and strengthen the research and development system and production system for domestic vaccines.

- The Government will promptly consider legal measures so that more effective measures can be taken to prepare for an infectious disease emergency. Strengthening the administrative system of the country.

~ Acceleration and expansion of the virtuous economic cycle

- In response to the severe economic impact of infectious diseases, the Government will continue to implement focused and effective support measures without hesitation, and take all possible measures to ensure the continuation of business operations, secure employment, and support people's livelihoods.

- By boldly stimulating private investment in growth fields, the Government will shift its focus from defensive to aggressive policies. As the world economy recovers, Japan will take in external demand for growth.

- Ø Business support: support for business continuity, strengthening fiscal base, support for business reconstruction, support for tourism, etc.

- Ø Support for employment and livelihood: smooth labor mobility, support for human investment, multi-layered safety nets, etc.

- Ø Prompt consideration of vaccination certificates

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(2) Four driving forces I

1. Realization of a green society

To achieve net-zero by 2050 and GHG reduction targets in FY2030, (1) promote policies that contribute to growth through decarbonization, (2) thoroughly make renewable energy a major power source, and (3) achieve decarbonization under the leadership of the public sector while securing necessary financial resources.

~ **Stimulating private investment and innovation through Green Growth Strategy**

Support for decarbonization investment through the Green Innovation Fund, etc., and realization of a green international financial center.

~ **Energy and resource policies toward decarbonization**

On the major premise of 3E + S principle, the Government will thoroughly make renewable energy a major power source, work on renewable energy on the top priority, and promote the maximum introduction of renewable energy while managing excessive cost burden and coexisting with local communities.

~ **Utilizing carbon pricing that contribute to growth**

Introduce without hesitation those that contribute to growth, so as to strengthen industrial competitiveness and promote innovation and investment.

2. Acceleration of digitalization by the public and private sectors

~ **Establishment of digital government**

Establishment of the Japan Digital Agency; expansion of the use and spread of Individual Number Cards; one-stop provision of administrative data; development of a data platform; early establishment of a base registry; and online application of administrative procedures.

~ **Acceleration of DX in the private sector**

Accelerated development of 5G; research and development of Post 5G and Beyond 5G; development of a competitive environment for the mobile phone market; development of data centers and other facilities; support for digital investment by enterprises; expansion of IT introduction support; and utilization of AI, IoT, and big data.

~ **Development of digital human resources, elimination of digital divide, cybersecurity measures**

Enhancement of educational programs (cooperation such as with the business community and educational institutions); construction a digital human resources platform; enhancement of support for elderly people who are not confident about digital utilization; and enhancement of cybersecurity measures (formulation of the next cybersecurity strategy, technological development, human resource development, and the formation of industry-academia-government collaboration base).

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(3) Four driving forces II

3. Revitalizing Japan as a whole through the creation of vibrant local regions: Development of new regional revitalization and building of decentralized land

~ Promoting the new flow of people to rural areas

Support for regional initiatives such as promotion of the migration and settlement of urban human resources to rural areas, the establishment of satellite offices, hometown tax system, etc.

~ Creation of dynamic mid-sized enterprises, SMEs, and microenterprises

Support for companies working to improve productivity, support for expansion of scale, sustainable development of local communities, enhancement of awareness among SMEs, and promotion fair subcontracting transactions.

~ Boosting economy through wage increases

Make further efforts to create an environment conducive to wage increases; aiming for a nationwide weighted average of 1,000 yen for the minimum wage as soon as possible.

~ Revitalization of tourism and inbound

Supporting local tourism projects, improving profitability and productivity, and developing safe and secure travel environments.

~ Turning agriculture, forestry, and fishery industries into growth industries including export growth

Export strategy for market-in and market-making systems, promotion of Measures for achievement of Decarbonization and Resilience with Innovation(MeaDRI), securing and strengthening production base.

~ Promotion of sports and cultural arts

Development of an environment where all citizens can enjoy sports easily and promotion of sustainable use of cultural resources.

~ Acceleration of multi-core cooperation based on smart cities

By 2025, establish 100 diverse and sustainable smart cities.

~ Building of decentralized nation and regional development making use of individuality

4. Overcoming the declining birthrate and realizing a society that makes it easier to have and raise children

~ Realizing a society that grants wishes to get married and have a baby as well as making raising children easier

By the end of the year, a comprehensive policy package will be formulated to promote the acquisition of child-care leave by men, and support for marriage and child-raising.

~ Creating an environment to ensure the security of children who will bear the future and measures against child abuse

Establishment of a system to ensure that support for children with difficulties will not be omitted (establishment of an administrative organization).

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(4) Building a foundation to support the four driving forces

- ~ **Realization of high-quality education and promotion of innovation in the digital age**
Promote integrated reform of hardware, software, and human resources of education, and aim to expand University Endowment Fund to the 10 trillion yen level.
- ~ **Active participation of women**
Initiatives to eliminate L-shaped curve and support the active participation of women in science and engineering fields.
- ~ **Active participation of young people**
Realization of various ways of working; reinforcement of recurrent education; improvement of the treatment of doctoral students; and promotion of startup and additional work by young researchers.
- ~ **Strengthening safety nets, measures against loneliness and isolation, etc.**
Review of the second safety net; measures against loneliness and isolation; building a society of mutual assistance and coexistence; and support for the “employment ice age” generation.
- ~ **Implementation of work style reform to realize a variety of working styles, and enhancement of recurrent education**
Work style reform as phase II; corporate governance reform; and drastic enhancement of human resource education such as recurrent education.
- ~ **Ensuring economic security, etc.**
Ensuring Japan’s self-determination and acquiring advantage; identifying, protecting, and developing critical technologies; making essential industries resilient; and establishing and strengthening systems.
- ~ **Strengthening strategic economic partnerships**
Developing rules in the green and digital fields; working on the SDGs; and expanding and strengthening economic partnerships such as the TPP.
- ~ **Promotion of FDI in Japan to strengthen growth potential, acceptance and coexistence of foreign nationals**
Promotion of investment in Japan to achieve the new doubling target; the realization of an international financial center; and promotion of the acceptance and active participation of highly skilled foreign professionals.
- ~ **Enhancing diplomacy and security**
- ~ **Realization of safe and secure lives**

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(5) Integrated Economic and Fiscal Reforms

~ Progress and results of integrated economic and fiscal reforms and problems revealed while dealing with infectious diseases

- Infectious diseases have highlighted a variety of problems, such as how medical personnel and resources should be allocated in an emergency and on a regular basis, and disparities between local governments in digitization of administration and online education.

~ Reform of each area

- Social security reform (construction of a new mechanism on the occasion of infectious diseases; in light of the baby boomer generation reaching the age of 75, strengthening the foundations, and reforms to social security system for all generations)
- New division of roles between national and local governments, etc. (the relationship between the national government and prefectures, between prefectures in metropolitan areas, or between prefectures and municipalities will be studied by the Local Government System Research Council, etc.)
- Reform of education, science, and technology in response to digitization, reform of social infrastructure development to enhance productivity, tax reform in response to structural changes in the economic society, etc.

~ Establishment of a framework for further promotion

- Under the concept of “the economy is the foundation of public finance,” the Government will work to overcome deflation and revitalize the economy, aiming to achieve growth above about 2% in real terms and about 3% in nominal terms, and the early realization of a 600 trillion yen economy.
- Firmly maintain the fiscal consolidation target of the Basic Policy 2018 (To aim to achieve the gross PB surplus of the central and local governments in FY2025. At the same time, to aim for steady reduction of government debt to GDP ratio.)
- In light of the economic and fiscal situation, which remains unstable due to infectious diseases, the impact of infectious diseases on economic and fiscal conditions will be verified within this fiscal year, and based on the results of the verification, the target fiscal year will be reconfirmed.
- For three years from FY2022 to FY2024, the Government will continue existing efforts to reform government expenditures.
- A committee will be established to compile basic ideas on structural reform and external economic relations toward the future economic society.

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(6) Economic and fiscal management for the immediate future and budget formulation

~ Economic and fiscal management for the immediate future

- We will continue to monitor the infection status and economic impact of the disease, and take necessary measures as needed, depending on the situation, by utilizing the reserve fund for countermeasures against novel coronavirus infections. At the same time, we will continue to implement flexible macroeconomic policies without hesitation toward autonomous economic growth in our country.
- The Government expects the Bank of Japan to pay careful attention to the economic impact of the infections and conduct appropriate monetary policy management, and achieve the price stability target of two percent in light of economic activity, prices and financial conditions.

~ Guiding principles in budget formulation for FY2022

- The budget will be compiled according to the benchmarks.
- With regard to social security expenditures, the policy is to aim to keep the essential increase within the levels equivalent to the expected increase due to population aging during the foundation-reinforcement period, and the policy will be continued based on the future economic situation and price movements and the like. With regard general expenditures other than social security expenditures, the Government will continue existing efforts to reform government expenditures, with consideration of the future economic situation and price movements and other such factors.
- With regard to the level of local government expenditures, while keeping in line with the efforts of the national government's general expenditures, the Government will ensure that the total amount of general revenue sources necessary for stable fiscal management of local governments, including those receiving local allocation tax grants, is substantially at the same level as that of the FY2021 Fiscal Plan of Local Government, and not below.
- Focused (prioritized) allocation of resources (prioritization) will be made on green, digital, regional revitalization, and children and childcare.