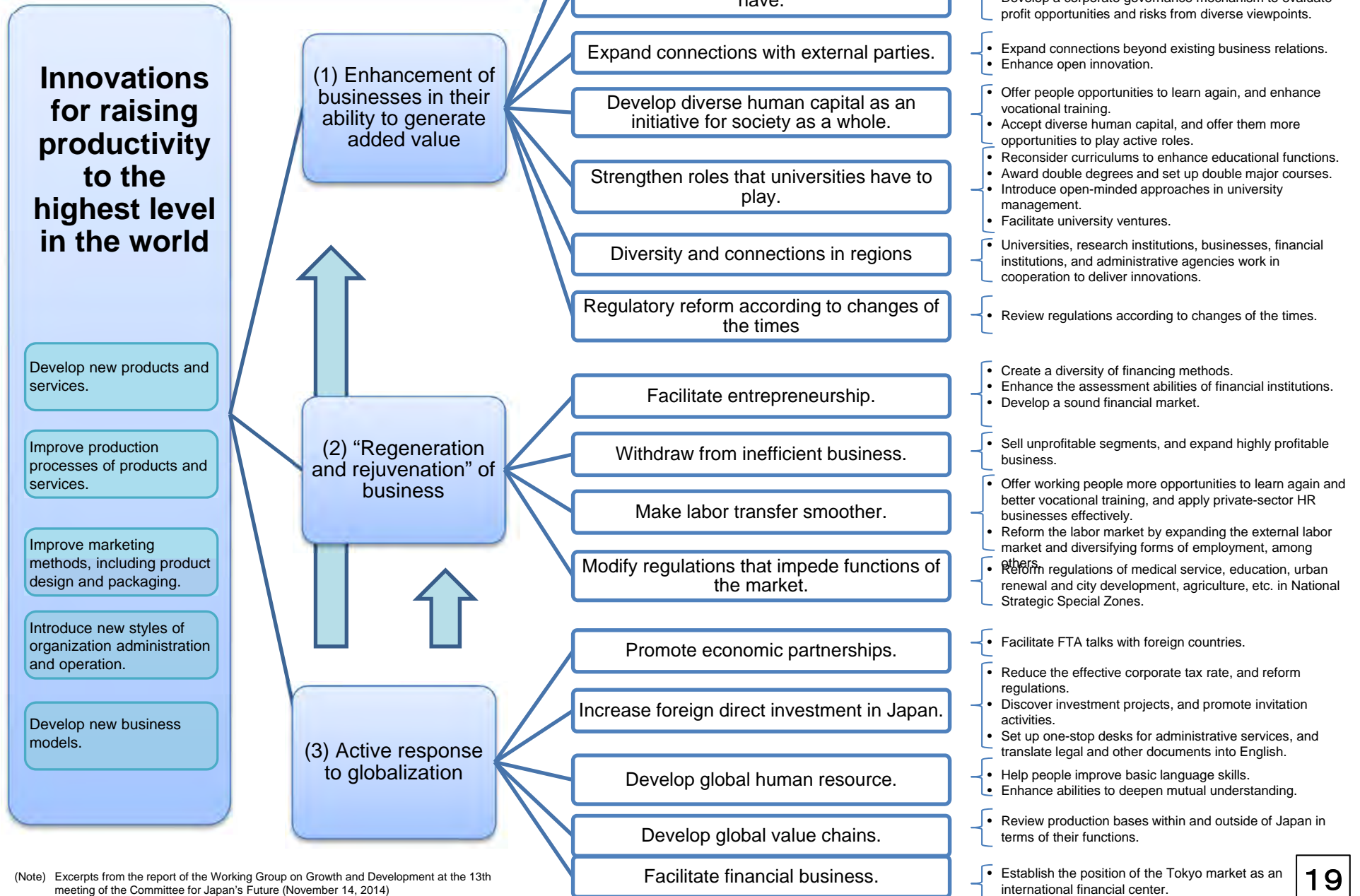


Initiatives for raising the potential growth rate

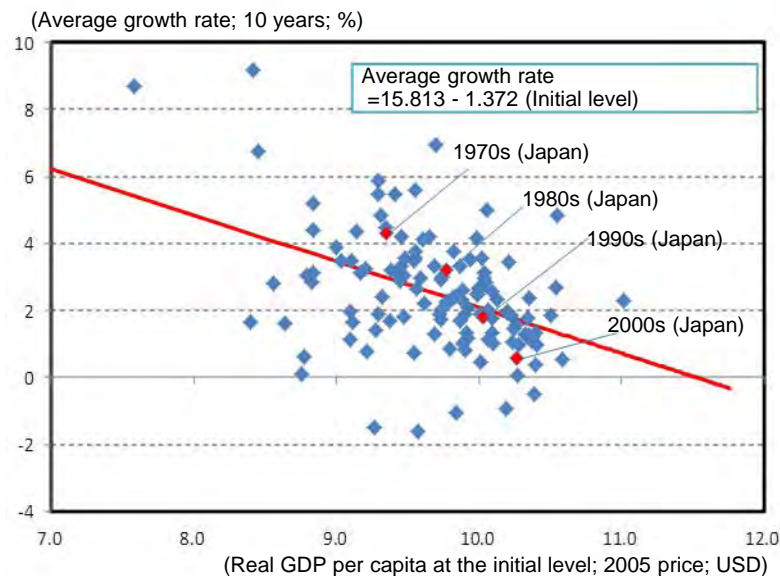


(Note) Excerpts from the report of the Working Group on Growth and Development at the 13th meeting of the Committee for Japan's Future (November 14, 2014)

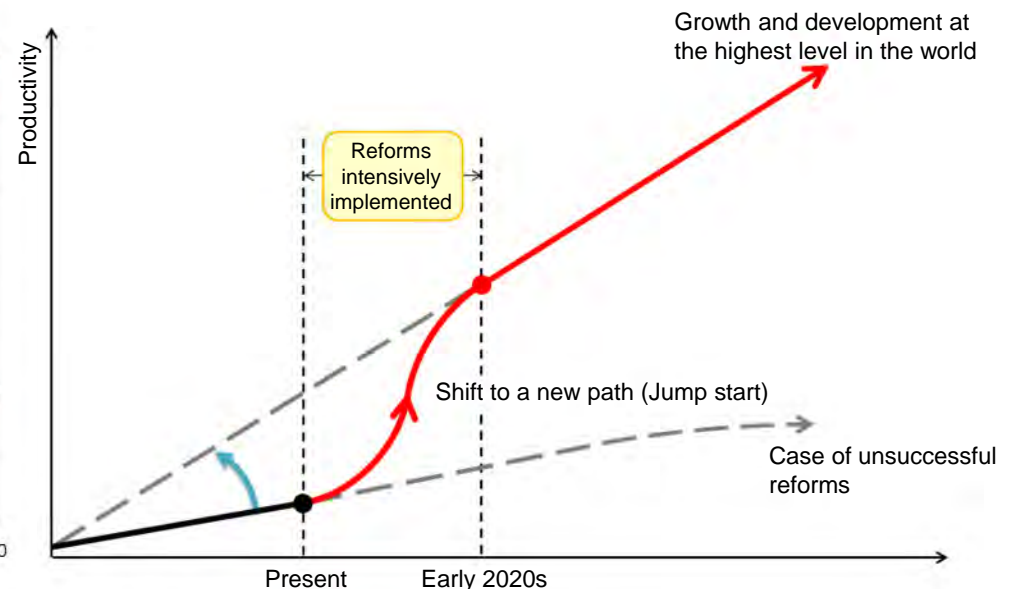
Shift to a new path (Image)

- ❑ Economies with smaller real GDP per capita at the initial level tend to achieve higher growth rates.
- ❑ In recent years, Japan has been positioned below a trend line that shows the relation between income level and growth rate, suggesting there is some room to make a Jump start.
- ❑ At the moment, Japan's TFP is weak in climbing power to reach a path of growth and development that Japan should aim at, going along a course far below it.
- ❑ Reforms should be implemented intensively by the early 2020s to raise the climbing power (slope), so that Japan can shift to a new path. Until the early 2020s, the climbing power (slope) will temporarily need to be greater than a long-term level of climbing power, which itself must be higher than the current level.

Relation between GDP per capita and growth rate



(Note) The figure shows relation between GDP per capita at the initial level and average growth rates achieved for each period of ten calendar years between 1970 and 2009, or four decades. It is an analysis of major 34 countries around the world based on the Penn World Table database.



(Note) Report of the Working Group on Growth and Development at the 13th meeting of the Committee for Japan's Future (November 14, 2014)

Japan can achieve sustainable development into the future amid great changes we will face over the coming 50 years only when we enable every one of “people” to bring their abilities into full play. We must nurture “people” and make the best of their diverse abilities, respecting them, to develop “human resources” for the future.

1. Human resource development

Recommendation 1: Develop abilities of people they need to play active roles.

- **Develop “mind” of people to nurture comprehensible abilities only human beings have.**
- **Use the comprehensive abilities as a basis to develop general-purpose skills needed in a cross-sectional manner and professional skills needed for each specific field, in interaction between them.**
 - Develop “mind” of people through outdoor activity and other opportunities that allow them contact with first-hand information.
 - Improve and enhance education at each phase of schooling, and offer broader opportunities of work experience.

Recommendation 2: Develop environments for human resource development.

- **Support development of people as a task for the entire society.**
 - **Provide people with career education in a strategic manner** to help them feel work as their own affair and live a fulfilled life; • **Train teachers to have enough creativity** to cope with globalization. • **Develop social infrastructure** in a manner to accept diverse human capital, offer them opportunities to play active roles, and bring their abilities into full play to take advantage of them.

2. Styles of working, and working environments

Recommendation 3: Develop social systems that allow everyone to have active roles to play.

- **Adopt the ideas of “post-based personnel management” and “equal pay for equal work” to replace low-paid work practices and bring the polarization between regular and non-regular employment to an end.**
- **Regulate long working hours for allowing people to have more active roles to play and achieve work-life balance.**
 - Define the “job” of an employee to adopt the ideas of “post-based personnel management,” a system that enables companies to find and hire someone qualified to perform the job, either within or outside of the company, and “equal pay for equal work,” and pursue what you may call the best mix of employment systems.
 - With that, put to an end the current polarization between regular and non-regular employment, so that everyone can secure a job that allows them to show their ability and provides great motivation to work.
 - Secure a level of income that allows a couple to have and bring up children at least when they are both in some work to help **solve the population problem.**

Recommendation 4: Allow the youth, women, and the elderly to play active roles.

- **Offer them opportunities to have some active role to play according to their own conditions.**
 - Offer young people diverse opportunities to find a job for **helping them have more active roles to play.**
 - Change society’s awareness of women and realize diverse career paths for them for **helping them have more active roles to play,** as they are also important players for innovation.
 - Enable elderly people to participate in society and work in diverse ways, regardless of their age, and rather according to conditions of their own, for **helping them have more active roles to play.**

3. Affluent life and its foundation

Recommendation 5: Achieve mentally and physically affluent life.

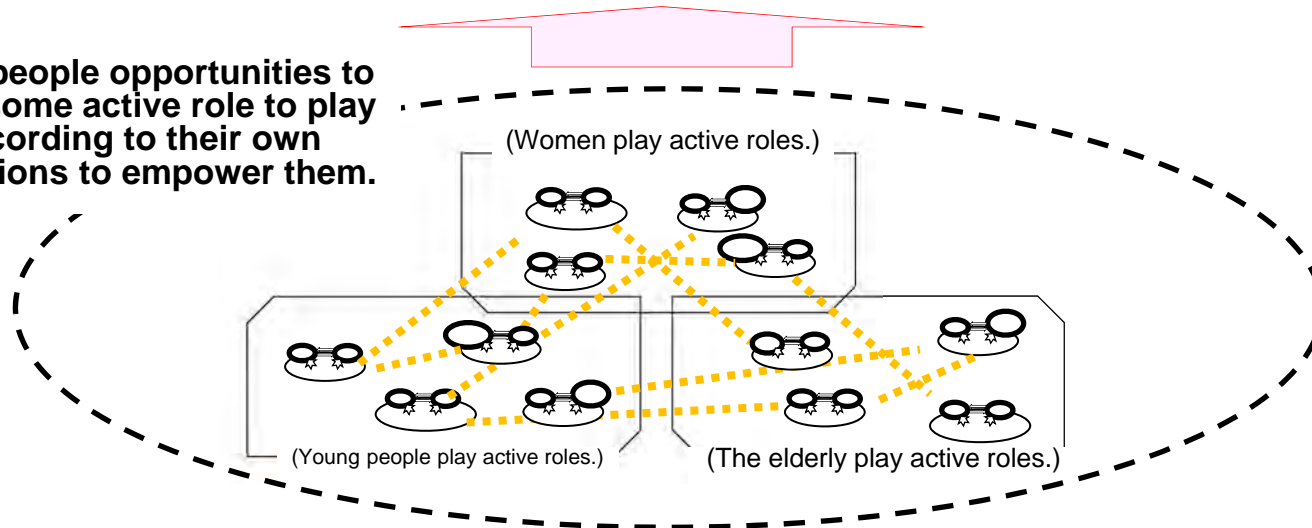
- **Apply ICT, among others, to achieve mentally and physically affluent lives.**
 - Encourage people to maintain health and prevent diseases and **extend healthy life expectancy.**
 - **Apply ICT to offer people comprehensive services** for medical, nursing, and daily-life care and help them spend the last chapter of their life without anxiety.
 - **Develop foundations of affluent life,** with fulfillment in social relationships as well.

We must nurture “people” and make the best of their diverse abilities, respecting them, to develop “human resources” for the future.

Create innovations from diversity!

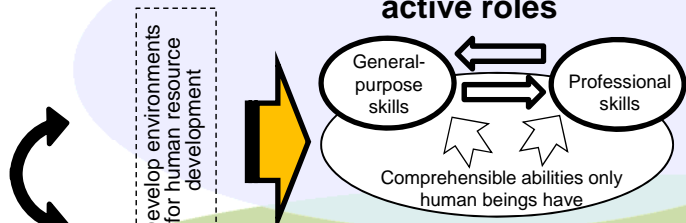
[Image]

Offer people opportunities to have some active role to play according to their own conditions to empower them.



(1) Develop abilities of people that they need to play active roles

(2) Develop social systems that allow everyone to have active roles to play.



- Adopt the ideas of “post-based personnel management” and “equal pay for equal work” to bring the polarization between regular and non-regular employment to an end.
- Achieve work-life balance.

(3) Achieve mentally and physically affluent life.

- Apply ICT to offer people comprehensive services.
- Develop foundations of affluent life, with fulfillment in social relationships as well.

Promote in a comprehensive manner.

18. Report of the Working Group on Future of Regions [Overview] – (1) Medium and long-term challenges regions face, and the direction of response to them

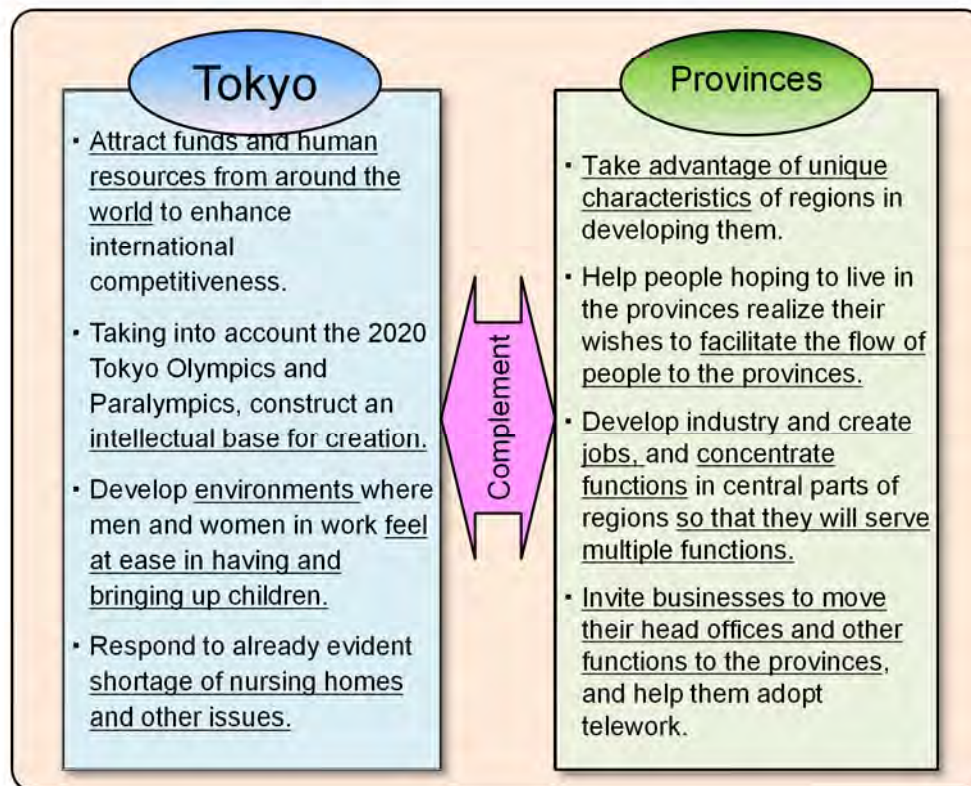
Introduction

- ✓ Taking into account structural changes regions may face during the coming 50 years, the report summarizes challenges they should address in an intensive and cross-sectional manner by around 2020, and the direction they should take in responding to them.

1. Challenges Tokyo and the provinces face

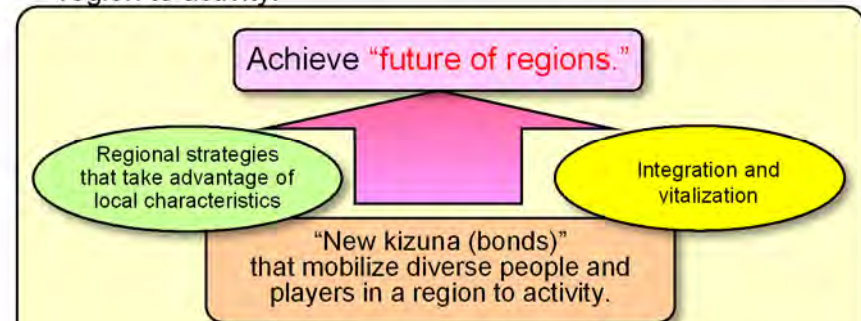
- ✓ The provinces are going ahead in terms of the declining and aging of population, while the metropolitan areas, with lower birth rates than in the provinces, will see their population rapidly declining and aging.
- ✓ It is necessary to put to an end the trend of unipolar concentration in Tokyo while stemming the fall of birthrate and the decline of population in Japan as a whole.
- ✓ Tokyo and the provinces should be positioned as two regions that complement each other to achieve sustainable development for each and promote the long-term growth of Japan.

2. Correction of unipolar concentration in Tokyo, the direction to take for achieving “future of regions”



3. Framework for achieving “future of regions,” and radical measures

- ✓ Carry out “regional strategies that take advantage of local characteristics” and “integration and vitalization” at the same time for revitalization of regions under the banner of “New kizuna (bonds)” that mobilizes diverse people and players in a region to activity.



(Roles of regions)

People of regions and local governments should face up to decline and aging of population and constraints on public finance in the future, and have a sense of urgency in working to build consensus among them about what their own regions should be like and take political leadership for solving challenges themselves.

(Roles of the national government)

Construct a flexible and effective framework of systems for regional regeneration by popularizing advanced initiatives, for instance.

Report of the Working Group on Future of Regions [Overview]—(2) Implementation of “regional strategies that take advantage of local characteristics”

1. Required “originality” and “human capital”

- ✓ “Local revitalization” means efforts to enable people who live and have some stake there to find bright prospects for the future there.
- ✓ Local governments of regions and people living there should play a leading role, and rely on their own originality to take advantage of local resources.
- ✓ Development and implementation of a strategy requires human capital, which should be raised from far and wide, both within and outside of the region itself.
- ✓ “If you try, you can make it. You achieve nothing unless you try.” (Yozan Uesugi)

2. Regional strategies based on “selection and concentration”

“Selection and concentration”: Select regional strategies that take advantage of local characteristics and concentrate resources on them to develop regions.

Creation of added value through networking: Human capital and a diversity of players in the public and private sectors apply ICT, among others, for cooperation and exchange between them to deliver innovations.

Development of regional communities resilient to disasters: Consideration should also be paid to how to develop regional communities resilient to disasters, including the way to establish food security and secure medical supplies.

3. Formation of regional strategies (Examples)

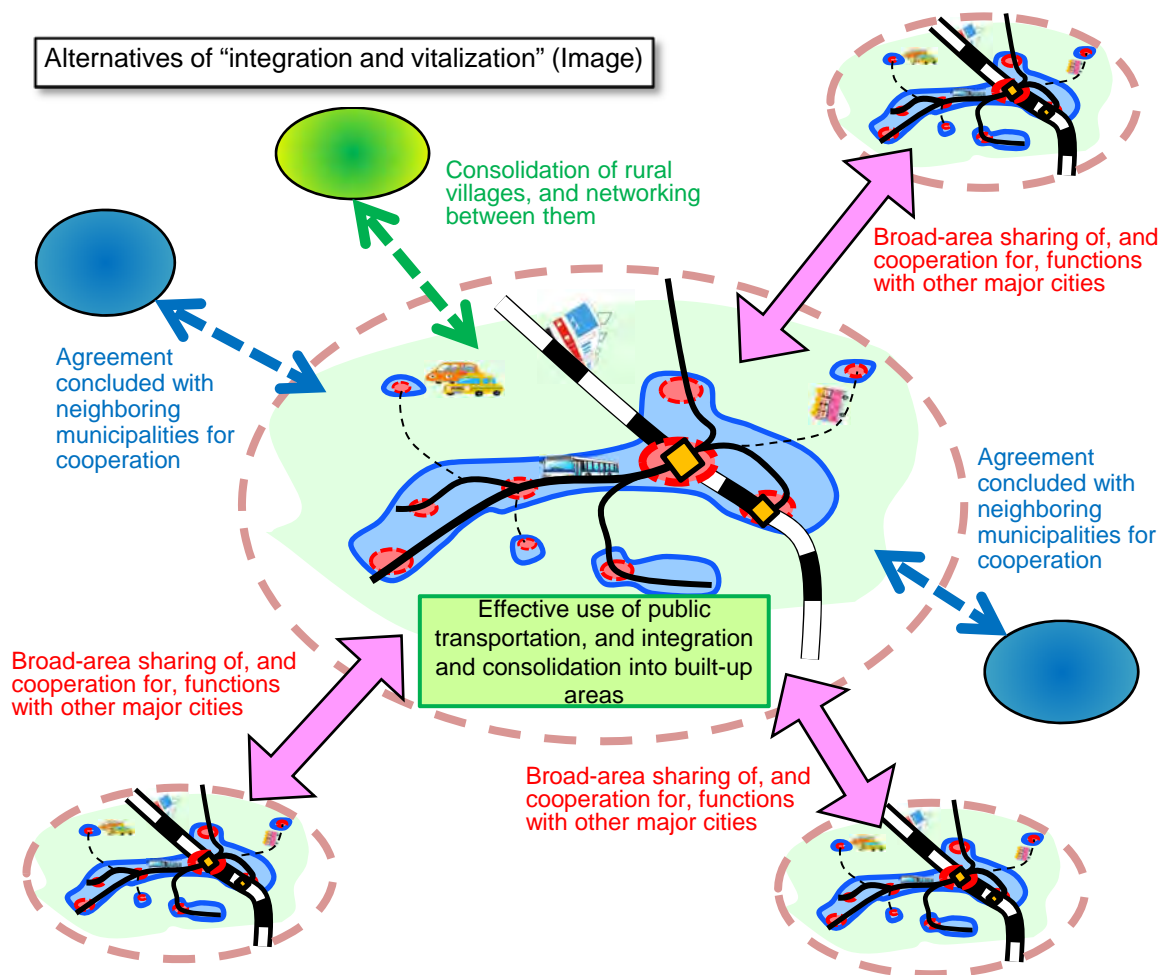
Application of agriculture, forestry and fisheries for regional revitalization	Application of tourism and interaction for regional revitalization	Cooperation between industry, academia, government, financial sector, and labor for regional revitalization
<p>Rediscovery of local resources from a new standpoint, effective use of ICT for development of markets, and application of logistics technologies, such as transport of fresh vegetables and fish. Direct sales of farm produce from producers to consumers.</p> <div data-bbox="181 1166 560 1458" data-label="Image"> </div> <div data-bbox="566 1125 801 1476" data-label="Text"> <p>In Ama Town, Shimane Prefecture, U-turns and I-turns, those returning or coming from urban areas, work together with local residents for branding of local produce, such as oysters, sea cucumbers, and beef, processing and selling, and developing markets, contribution they are making to local revitalization.</p> </div> <div data-bbox="181 1469 524 1495" data-label="Caption"> <p>Farm of local brand oyster “Haruka”</p> </div>	<p>Development of institutions that accommodate international and broad-area flow of people and distribution of goods; discovery of local resources and enhancement of attractiveness regions have; obtainment of people working for the tasks; new types of interactions between regions, including long-term stay; etc.</p> <div data-bbox="833 1145 1223 1437" data-label="Image"> </div> <div data-bbox="1238 1166 1433 1453" data-label="Text"> <p>Bungotakada City, Oita Prefecture, used U-turns, those coming back from urban areas, to rehabilitate a shopping street. Under the concept “town of good old Showa”</p> </div> <div data-bbox="880 1442 1149 1495" data-label="Caption"> <p>Shopping street restored as “town of good old Showa”</p> </div>	<p>Development of regions that lead healthcare and medical services, and application of biotechnology, ICT, and other cutting-edge technologies for regional development.</p> <div data-bbox="1456 1145 1827 1437" data-label="Image"> </div> <div data-bbox="1532 1442 1756 1495" data-label="Caption"> <p>An IT engineer working at a satellite office</p> </div> <div data-bbox="1827 1038 2051 1476" data-label="Text"> <p>In Kamiyama Town, Tokushima Prefecture, a town that has developed excellent environments for ICT infrastructure, NPOs play a central role in using support programs offered by local governments to attract satellite offices. That has resulted in a chain of IT and design companies coming to the town, with more people moving to live there.</p> </div>

Report of the Working Group on Future of Regions [Overview] –(3) “Integration and vitalization” for regional regeneration

1. Significance of “integration and vitalization”

- ✓ Concentrate administrative services in the central part of a city, so that it will serve multiple functions, for making lives of people living there more convenient while revitalizing economic activities.
- ✓ Among the possible alternatives are compact city, an initiative for effective use of public transportation, and integration and consolidation into built-up areas in a city; regional central urban areas formed by several cities that conclude a cooperation agreement between them; and policy programs for several cities to share functions between them and work in cooperation on a broad-area basis.
- ✓ Rural areas should also form a network with surrounding communities, core communities, and neighboring cities.

Alternatives of “integration and vitalization” (Image)



2. Policy programs for pursuing “integration and vitalization,” and a setup for the pursuit

- ✓ Local governments and residents should share a sense of crisis, and, based on a forecast, prepare a medium and long-term plan for “integration and vitalization.”
- ✓ Intensive support should be provided for leading initiatives, and knowhow and expertise should be shared.
- ✓ Abilities of local government employees should be enhanced as they deal with practical business, and systems and their operation should be subject to constant review.

3. Shift “from ownership to utilization”

- ✓ Application of fixed term land lease right, use of special purpose companies for financing, and other measures to increase liquidity of properties.
- ✓ Introduction of some arrangements for facilitating removal of, or renovation and trade of, vacant houses.

4. Appropriate management of public facilities and other assets

- ✓ Consolidation and reorganization of public facilities built for different purposes, use of and joint construction with private-sector facilities, and extension of life time of buildings should be pursued in a PDCA cycle.

5. Rule making for consensus building

- ✓ Information of procedures, rules, and alternatives for finding solutions should be shared with people living in the region.
- ✓ Consensus building should be facilitated under the principle of resident autonomy, while policymakers should be prepared to take the lead to get things done.

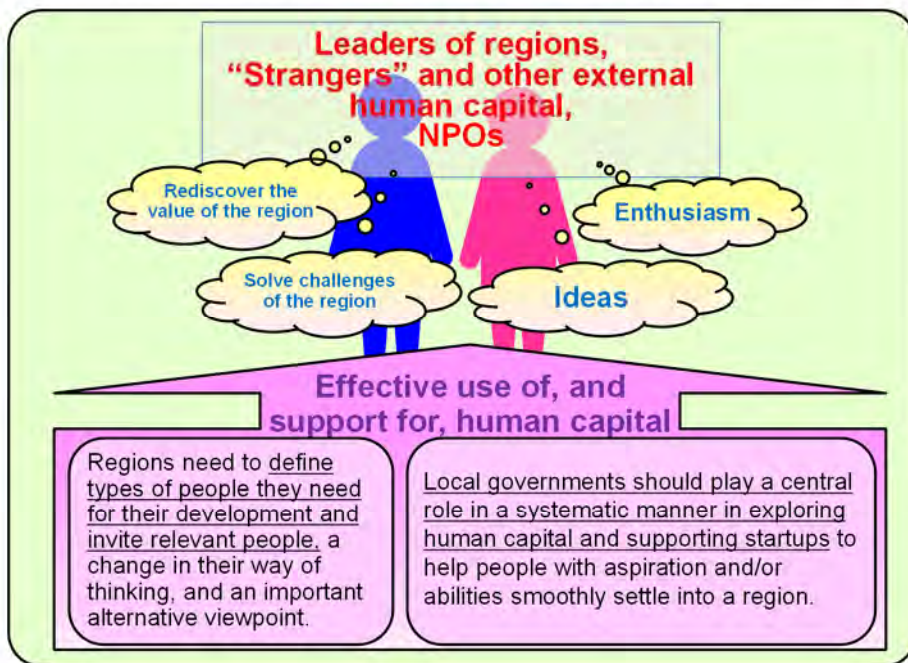
Report of the Working Group on Future of Regions [Overview] –(4) Form “New Kizuna (bonds)” in regions for developing resilient communities

1. Significance of “New Kizuna (bonds)”

- ✓ Effort should be made to develop a region, with participation of residents there themselves, as a sustainable and recycling-oriented community they feel proud of.
- ✓ Development and nurturing of regionally-spontaneous industries and effort to address social challenges in communities, among others, should be pursued for improving the economic circulation in each region.

2. Effective use of human capital as player for regional development

- ✓ Train leaders of regions, and promote people capable of rediscovering the value of a region.
- ✓ Improve abilities to operate and manage NPOs, etc.



3. Promotion of social investment

- ✓ A market for social investment should be formed to supply financial resources of a region for activities for solving social challenges it has, and promoting the flow of funds in the region.

Develop environments for promoting social investment in regions (Consider adopting social impact evaluation, a way of quantitatively measuring social revenues that an investment produces, etc.)

Consider effective use of savings left in dormant bank accounts, and promote use of cloud funding.

Make effective use of the “hometown tax payment” system and preferential tax treatment for donations for NPOs, etc.

Use public relations and disclosure of information for promoting donations for NPOs, etc.

Conclusion

- ✓ What is needed from the nationwide viewpoint is to produce as many successful cases as possible. Parties concerned should work as one in carrying out programs with, for instance, the number of regions that can be rated as successful set as a policy target.

19. Committee for Japan's Future: Committee Meetings

Committee Meetings

- **January 20: 1st meeting of the Council on Economic and Fiscal Policy**
 - The Committee for Japan's Future set up.
- **January 30: 1st Committee Meeting**
 - Agenda of the Committee
- **February 14: 2nd Committee Meeting**
 - Items to be considered at the Committee
 - Potential growth rate, people's feeling of well-being and income, demographic movement
- **February 24: 3rd Committee Meeting**
 - Future to be aimed at
 - Economic growth and development, issue of declining birthrate
- **March 12: 4th Committee Meeting**
 - Prospects of the regions
- **April 7: 5th Committee Meeting**
 - Human resources
- **April 21: 6th Committee Meeting**
 - Discussions considering reports from working groups
 - Interim draft summarizing points
- **May 13: 7th Committee Meeting**
 - Reports from chiefs of working groups
 - Interim summarization
- **July 18: 8th Committee Meeting**
 - Agenda for coming meetings
 - The current state of population decline, regions, and industry, and challenges to address
- **September 12: 9th Committee Meeting**
 - Presentations of committee members on regional regeneration
 - Hearings with the National Governors' Association
 - Summarization of principles of discussions on major issues
- **October 1: 10th Committee Meeting**
 - Joint meeting with the 6th meeting of the Working Group on Growth and Development
 - Joint meeting with the 8th meeting of the Working Group on Human Resources
- **October 17: 11th Committee Meeting**
 - Joint meeting with the 7th meeting of the Working Group on Future of Regions
 - Presentations of committee members on prevention of rapid population decline and promotion of innovation
- **October 28: 12th Committee Meeting**
 - Summarization of discussions so far
 - Outlines of the committee report
 - Overview of findings from surveys and analyses, including an opinion poll, questionnaire survey, hearings at a symposium
- **November 14: 13th Committee Meeting**
 - Reports from working groups
 - Committee report