

Highlights of the Budget for FY2014

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- The Budget for FY2014 aims at achieving fiscal consolidation, economic revitalization and exit from deflation at the same time
- This budget is the first step to realize the comprehensive reform of social security and tax

Promotion of investment for the future and ensuring a sense of safety and security in a daily life

- (1) Prioritized measures to strengthen competitiveness, and to promote economic growth led by private demand (e.g. reinforcement of government's functions as headquarters in science and technology, development of R&D systems in new medical fields, Agricultural Land Bank, etc.).
- (2) Enhancement of support for childcare (addressing the issues of children waiting for childcare) etc., utilizing increased revenue from the consumption tax rate hike scheduled in the comprehensive reform of social security and tax.
- (3) Prioritized public works budget for measures against aging infrastructure and acceleration of establishing transportation and distribution networks in view of the Tokyo 2020 Summer Olympics and Paralympics.
- (4) Enhancement of national defense budget following FY2013 budget, in order to promote improvement of defense capacity from the point of view to prepare for the security environment which gets severer and severer.
- (5) Enhancement of a system to provide medical service by grant for regional medical care, with avoiding new burden on the public upon revision of medical treatment fees.
- (6) Ensuring the total local general revenue for enhancement of social security, while suppressing the local allocation tax grants with reflecting increased tax revenues by Abenomics.

Realization of flexible fiscal management coupled with FY2013 Supplementary Budget

- FY2014 Budget is formulated with FY2013 Supplementary Budget (related economic package: 5.5 trillion yen). FY2013 Supplementary Budget will moderate economic downturn expected in the first half of FY2014 and put the economy on a sustainable growth path.

Steadily progress of fiscal consolidation

- (1) Primary balance will be improved by more than 5 trillion yen through streamlining expenditure steadily, with aiming at halving the primary deficit to GDP ratio by FY2015 from the ratio in FY2010 and achieving a primary surplus by 2020.
- (2) Newly issued national government bond will be decreased by 1.6 trillion yen from the previous year.

(Reference) "Basic framework for Fiscal Consolidation: Medium-term Fiscal Plan" (Approved by the Cabinet on August 8, 2013)

Through these efforts, the Government aims to improve the primary balance of the General Account at least by approximately 4 trillion yen both in FY2014 and FY2015, (...), thereby seeking to achieve the target to halve the primary deficit of the national and local governments.

The Government will make its utmost efforts to keep the amount of newly issued National Government bonds below that of the preceding fiscal year for the FY2014 and FY2015 budgets.

Budget Frame for FY2014

(Unit: billion yen)

	FY2013 Budget (Initial)	FY2014 Budget	FY2013 → FY2014	Notes
(Revenues)				
Tax Revenues	43,096.0	50,001.0	6,905.0	- Including 4,535.0 billion yen due to increased revenue from the consumption tax rate hike.
Other Revenues	4,053.5	4,631.3	577.8	- Including 794.6 billion yen due to increased revenue from integration of special accounts to general account.
Government Bond Issues	42,851.0	41,250.0	-1,601.0	- Bond Dependency Ratio: 43.0% (FY2013: 46.3%)
Construction Bonds	5,775.0	6,002.0	227.0	
Special Deficit-Financing Bonds	37,076.0	35,248.0	-1,828.0	
Pension Related Special Deficit-Financing Bonds	2,611.0	-	-2,611.0	
Total	92,611.5	95,882.3	3,270.8	
(Expenditures)				
National Debt Service	22,241.5	23,270.2	1,028.7	- Including 302.7 billion yen due to increased expenditure from redemption expenses of Pension Related Special Deficit-Financing Bonds.
Primary Expenditures	70,370.0	72,612.1	2,242.1	- Increasing revenue from integration of special accounts to general account: 794.6 billion yen Enhancement of four social security expenses, etc.: 378.9 billion yen Moderation burden of medical care for the elderly citizen, etc.: 410.1 billion yen
Social Security	29,122.4	30,517.5	1,395.1	
Local Allocation Tax Grants, etc	16,392.7	16,142.4	-250.2	- Reflecting the growth in local tax revenues. The local general fiscal resources which include local tax, Local Allocation Tax Grants, etc. will be increased for enhancement of social security.
Total	92,611.5	95,892.3	3,270.8	- Primary Balance: -18.0 trillion yen (FY2013: -23.2 trillion yen, improvement of 5.2 trillion yen from the previous year)

Including 1,583.6 billion yen

FY2014 Budget aims at achieving fiscal consolidation, economic revitalization and exit from deflation

<Economic Indicator>

- Nominal GDP growth rate will be 3.3 percent, under expectation that movement towards economic recovery is ensured.
- Consumer Price Index will be increased by +3.2 percent from the previous fiscal year, progress is expected towards exit from deflation.

	FY2012 (Actual)	FY2013 (Estimate)	FY2014 (Projections)
Nominal GDP Growth	-0.2%	2.5%	3.3%
Real GDP Growth	0.7%	2.6%	1.4%
Consumer Price Index (changes)	-0.3%	0.7%	3.2% (1.2%)
Unemployment Rate	4.3%	3.9%	3.7%

(note1) FY2013 and FY2014 are based on “Fiscal 2014 Economic Outlook and Basic Stance for Economic and Fiscal Management” (Approved by the Cabinet on December 21, 2013).

(note2) The number in parentheses in FY2014 excludes the impact the consumption tax rate hike.

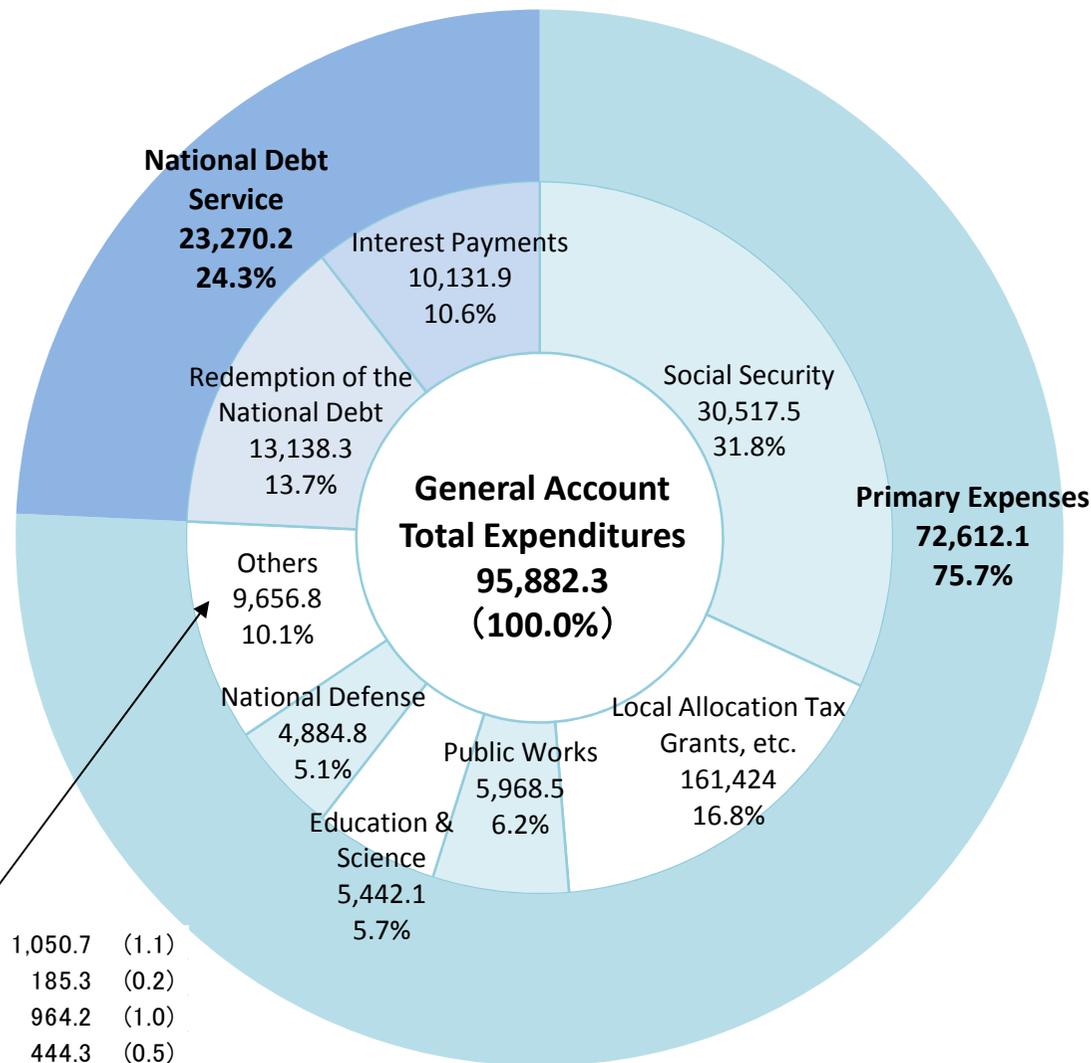
<Fiscal management (General Account) >

- Primary balance of the General Account of national government will be improved by 5.2 trillion yen, more than targeted in “Medium-term Fiscal Plan” (“to improve the primary balance of the General Account at least by approximately 4 trillion yen both in FY2014 and FY2015”).
- Newly issued national government bond will be reduced by 1.6 trillion yen from the previous fiscal year. Bond Dependency Ratio will decrease to 43.0%.

	FY2012 (Initial)	FY2013 (Initial)	FY2014 (Draft)
Primary Expenditure	68.4 trillion yen	70.4 trillion yen	72.6 trillion yen
Tax Revenues	42.3 trillion yen	43.1 trillion yen	50.0 trillion yen
Government Bond Issues	44.2 trillion yen	42.9 trillion yen	41.3 trillion yen
Primary Balance	-24.9 trillion yen	-23.2 trillion yen	-18.0 trillion yen
Bond Dependency Ratio	47.6%	46.3%	43.0%

(note) Primary balance and Bond Dependency Ratio are based on an assumption that the government contributes to 50% of Basic Pensions.

General Account Budget for FY2014 -Breakdown of Expenditure-



Food Supply	1,050.7	(1.1)
Promotion of SMEs	185.3	(0.2)
Energy	964.2	(1.0)
Former Military Personal Pensions	444.3	(0.5)
Economic Assistance	509.8	(0.5)
Miscellaneous	6,152.6	(6.4)
Contingency Reserves	350.0	(0.4)

(Note1) Figures may not add up to the totals due to rounding.

(Note2) The ratio of Social Security expenses to General Expenditures* : 54.0%

*General Expenditures equals to the Primary Expenditure minus Local Allocation Tax Grants, etc.

Changes in Major Budget Expenditures

(unit: billion yen)

Major Budget Expenditure	FY2013 Budget	FY2014 Budget	Change (FY2013 to FY2014)	% Change (FY2013 to FY2014)	Notes
Social Security	29,122.4	30,517.5	1,395.1	4.8%	- Enhancement of four expenses for social security, etc.: 378.9 billion yen - Moderating burden of medical care for the elderly citizen, etc.: 391.8 billion yen
Education and Science	5,368.7	5,442.1	73.4	1.4%	
Science	1,300.7	1,337.2	36.5	2.8%	
Former Military Personal Pensions	504.5	444.3	-60.2	-11.9%	
Local Allocation Tax Grants, etc.	16,392.7	16,142.4	-250.2	-1.5%	
National Defense	4,753.8	4,884.8	131.0	2.8%	- Increasing personnel expenses due to end of the special salary cut: 101.8 billion yen
Public Works	5,285.3	5,968.5	683.2	12.9%	- Increasing revenue from integration of special accounts to general account: 616.7 billion yen
Economic Assistance	515.0	509.8	-5.2	-1.0%	
(Reference) ODA	557.3	550.2	-7.1	-1.3%	
Measures for SMEs	181.1	185.3	4.2	2.3%	
Energy	849.6	964.2	114.6	13.5%	- Rate hike of tax for countermeasures against global warming: 80.0 billion yen
Food Supply	1,053.9	1,050.7	-3.3	-0.3%	
Miscellaneous	5,993.1	6,152.6	159.5	2.7%	- Increasing revenue from integration of special accounts to general account: 156.9 billion yen
General Contingency Reserve	350.0	350.0	-	-	
Total	70,370.0	72,612.1	2,242.1	3.2%	- Increasing revenue from integration of special accounts to general account: 794.6 billion yen

(note1) Increase of personnel expenses due to the end of the special salary cut, 413.5 billion yen in total, has a neutral effect on fiscal balance, because that increase is balanced by corresponding reduction of transfer to Special Account for Reconstruction from the Great East Japan Earthquake.

(note2) The amount of expense increased in accordance with the consumption tax rate hike is about 300 billion yen for all budget expenditures except four expenses for social security.

Highlights of the Budget for FY2014 (individual categories) (1)

Social Security

- Enhancement of social security (national and local: 0.5 trillion yen, national: 0.2 trillion yen), utilizing increased revenue from the consumption tax rate hike, will be implemented. Measures which young people, women and the working generation can realize the beneficiary will be implemented, accompanied with expansion of policy areas (from the three expenses for elderly citizen to the four social security expenses), financed by (national) revenue from the consumption tax. Specifically, expansion of potential to provide for childcare through “Plan to Accelerate the Resolution for Children Waiting for Childcare”, and addition of intractable diseases in which patients can receive public support will be implemented.
- Drug prices in the revised medical treatment fees will reflect the prevailed market prices based on the results of the drug prices survey. Reform of a system to provide medical service will be promoted, accompanied with establishment of the grants for regional medical care, while avoiding new burden on the public.

Education, Science and Technology

- Education: Prioritization to the measures contributing to “Education Rebuilding”, including expansion of external human resources such as school counselor of elementary and junior high schools, development of global human resources, increase of the number of people eligible for student loan without interest to about 0.44 million.
- Science and Technology: Establishment of adjustment expenses (50.0 billion yen) for Council for Science and Technology Policy to reinforce government’s functions as headquarters. Prioritization to the research and development budget of the medical field, taking into account development of R&D systems in new medical fields (around 120.0 billion yen).

Agriculture

- Implementation of reforms aiming at strengthening competitiveness of agriculture, forestry and fisheries industries, under the “Plan to Create Vitality of Agriculture, Forestry and Fisheries Industries and Regions”.
- Halving the grants for rice (direct payment grants for rice) (from 15 thousand yen/ 10a to 7.5 thousand yen/ 10a) with reviewing the previous income support system for individual farmers. This financial resources will be utilized, from the point of view of reinforcing competitiveness, for establishment of Agricultural Land Bank (intermediary institution that manage farmland) and payment for multiple functions of agriculture.

Highlights of the Budget for FY2014 (individual categories) (2)

Public works

- 6.0 trillion yen in total will be appropriated to public works. The total amount is curbed (to 5.4 trillion yen, +1.9%) by additional prioritization of measures, with excluding the transfer from the abolished special account for infrastructure development to the general account (+0.6 trillion yen), under the reform of special accounts.
- The Government will accelerate measures against the aging infrastructure, and reinforce preliminary disaster prevention measures against the Great Earthquake along the Nankai Trough. Furthermore, the Government will focus on intensive development of transportation network systems in order to strengthen competitiveness through realization of smooth transportation toward economic revitalization.

National defense

- The Government will reinforce Japan's defense systems (improvement of defense capacity in the next 5 years: 24.67 trillion yen (+1.8%)), with formulating the new National Defense Program Guidelines and the Mid-Term Defense Program, among the environment of national security which gets severer and severer. On the other hand, the Government will improve defense equipment efficiently through procurement reform (700 billion yen) (Total appropriated budget: 23.97 trillion yen (+0.8%)).
- 4,884.8 billion yen will be appropriated to national defense expenditures in FY2014 budget, increased by 2.8% from the previous fiscal year. The government will take measures such as performance improvement of air borne warning and control system, enhancement of patrol and monitoring ability through acquisition of fixed wing patrol aircrafts, and reinforcement of defense for islands through strengthening amphibiousness and acquisition of next-generation fighter aircrafts.

Local government finance

- The amount of the local allocation tax grants etc. will be reduced (16.4 trillion yen →16.1 trillion yen), reflecting the increase of local tax revenue by "Abenomics" . On the other hand, the total amount of general finances including local tax for local governments will be ensured (59.8 trillion yen →60.4 trillion yen), accompanied with enhancement of the social security system.
- The Government will cut 40% (0.4 trillion yen) of the Additionally Reserved Provision of grants (1.0 trillion yen) to address the crisis by Lehman Shock, while, as for local government expenditure, the Government takes measures to support for striving regions.

The Comprehensive Reform of Social Security and Tax to Secure stable financial resources for social security

- As decided in the recent Comprehensive Reform of Social Security and Tax, all consumption tax revenue that includes increased revenue due to the raised consumption tax rate (excluding national/local consumption tax revenues; excluding current local consumption tax revenue) shall be used for social security.
- The increased revenue by the consumption tax rate hike (5.0trillion yen (Central and local governments)), shall be utilized for maintenance of enhancement of social security as follows;
 - (1) First, the Government will appropriate 2.95 trillion yen for contribution to the basic pension funds.
 - (2) In addition, the Government will appropriate 0.50 trillion yen (Central government: 0.22 trillion yen) for enhancement social security and 0.23 trillion yen (Central government: 0.15 trillion yen) for increase of four social security expenditures accompanied by the consumption tax rate hike. (The rest (about 1.3 trillion yen) will be used for moderation of burden on future generations.)
- The difference between four social security expenses and tax revenues (Central and local governments; excluding ongoing local consumption tax revenues) will be reduced from 22.1 trillion yen to 20.7 trillion yen by consumption tax rate hike.

<without the social security reform>

Four social security expenses
(Central and Local
government) 32.9 trillion yen

32.9 trillion yen
(Central
government: 23.6
trillion yen)

Difference
22.1 trillion yen

Consumption tax revenue
4% (excluding current
local consumption tax
revenue) 10.8 trillion yen

<with the social security reform>

Four social security expenses
(Central and Local
government) 36.5 trillion yen

Enhancing social security
0.50 trillion yen

Increase of expenditures accompanied by the
consumption tax rate hike 0.23 trillion yen

Government contribution to the
basic pension funds 2.95 trillion yen

32.9 trillion yen
(Central
government: 23.6
trillion yen)

Difference
20.7 trillion yen

0.50 trillion yen (Central
government: 0.22 trillion yen)

0.23 trillion yen (Central
government: 0.15 trillion yen)

2.95 trillion yen

1.3 trillion yen (Lower the burden
on future generations)

Consumption tax revenue
4% (excluding current
local consumption tax
revenue) 10.8 trillion yen

Using all additional tax revenues
from the consumption tax hike for
social security spending.

Increased revenue (5.0trillion yen (Central
government: 4.3 trillion yen))
by the consumption tax rate hike (3%)

(Note1) The calculation is based on FY2014 draft budget.

(Note2) The Act to Promote Social Security Reform states: "From the standpoint whereby all generations should fairly share the expenses regarding social security that widely benefits citizens, revenue from the consumption tax and local consumption tax shall be used as a major source of revenue that is necessary for the national and local governments to pay social security benefits." (Article 2, paragraph 1, item (iv) of the Act to Promote Social Security Reform)

(Note3) Other than the four expenses for social security in the figure above, there are unilateral local projects within the range of the four expenses for social security.

(Note4) The Local Tax Act stipulates that the increased local consumption tax shall be used as expenses required for social security measures. The Act also stipulates that the total amount of increased local consumption tax and the statutory rate of allocated consumption tax shall be compared with the total expenses of local social security benefits that include unilateral local projects, and shall be confirmed every fiscal year if they are financial sources for social security.

Expenditures and Revenues of Four Social Security Expenses and Other Expenses

- Four social security expenses

(unit: trillion yen)

Expenditures		Revenues	
Four social security expenses ^(note1)	26.9	Consumption tax revenues (excluding local allocation tax grants)	11.9
Pensions ^(note2)	11.4	Government bond issues	15.0
Medical care	10.9	* In case that the difference between four social security expenses and consumption tax revenues is covered by government bond issues.	
Long-term care	2.8		
Support for child and childcare	1.9		

- Other expenses

(unit: trillion yen)

Expenditures		Revenues	
Other expenses than four social security expenses	46.0	Other tax revenues than consumption tax (excluding local allocation tax grants)	38.1
National debt service ^(note2)	23.0	Other revenues	4.6
		Government bond issues	26.3

(note1) Four social security expenses are these necessary to implement established institutions such as social security benefit for pension, medical care, long-term care, and measures against dealing birthrates.

(note2) Expenditure for Pensions includes redemption cost for Pension Related Special Deficit-Financing Bonds (0.3 trillion yen). And the corresponding amount is excluded from National debt service.

Outline of Special Account for Reconstruction from the Great East Japan Earthquake (FY2014)

(Expenditure)

1. Disaster Relief (Provision of temporary housing etc.)	73.9 billion yen
2. Disposal of Disaster Waste (Debris disposal)	23.6 billion yen
3. Public Works related to the Reconstruction	916.3 billion yen
- Recovery from the disaster by establishing public civil engineering facilities, etc.	513.0 billion yen
- Development of roads to support the reconstruction etc.	170.6 billion yen
4. Disaster-related Public Financing Program	22.1 billion yen
(Support for SMEs businesses and agriculture, forestry and fisheries industries, etc.)	
5. Local Allocation Tax Grants (financed by Special Taxes for Reconstruction)	572.3 billion yen
6. The Great East Japan Earthquake Reconstruction Grants	363.8 billion yen
7. Expenses related to the Reconstruction from the Nuclear Disasters	652.3 billion yen
- Decontamination (including disposal of radioactive-contaminated waste) (note2)	391.2 billion yen
- Development of interim storage facility (note2)	101.2 billion yen
- Grants to Accelerate Revitalization of Fukushima etc. (Support for the early return and lives of long-term refugees)	118.6 billion yen
8. Other Expense related to the Great East Japan Earthquake	329.9 billion yen
- Improvement of earthquake resistance and disaster-prevention performance of school facilities	71.9 billion yen
- Subsidy Program for New Business Establishment in the Areas Recovering from Tsunami and Nuclear Disaster towards Employment Creation	30.0 billion yen
- Disaster recovery project for common facilities such as small-and-medium-sized enterprise unions	22.1 billion yen
- Reconstruction of agriculture, forestry and fisheries industries	22.8 billion yen
(Support for revitalization of productivity and sales force of agriculture, and reconstruction of fishing grounds)	
9. Transfer to the Special Account for National Debt Consolidation Fund	92.1 billion yen
10. Discretionary Reserve for Accelerating Reconstruction and Revitalizing Fukushima	600.0 billion yen
Total	3,646.4 billion yen (note3)

(Revenue)

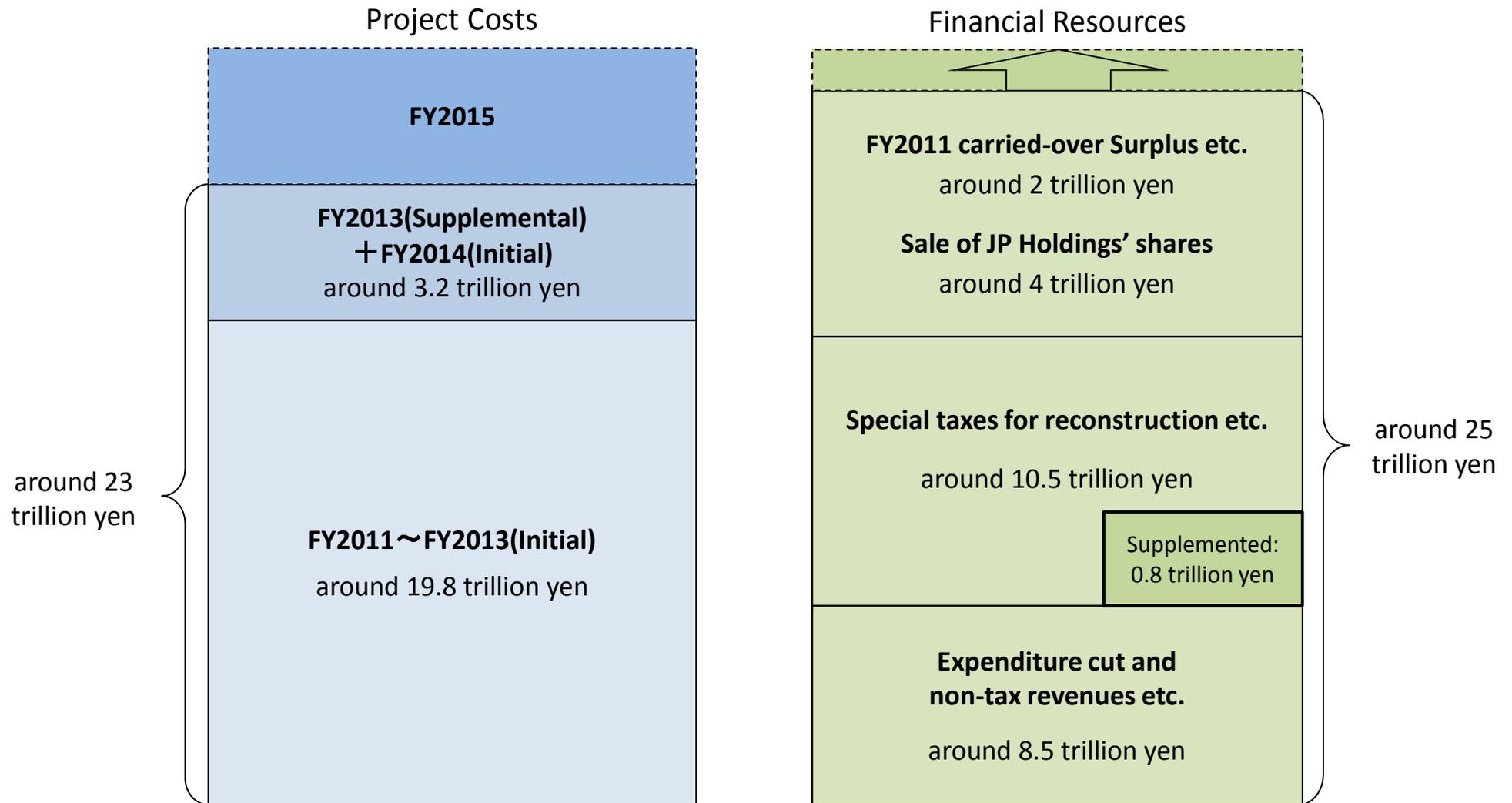
1. Special Taxes for Reconstruction (The special income tax for reconstruction and the special corporate tax for reconstruction)	738.1 billion yen
2. Transfer from General Account (Review of child allowance and toll-free expressway)	703.0 billion yen
3. Other Revenues	66.0 billion yen
4. Reconstruction bonds	2,139.3 billion yen
Total	3,646.4 billion yen

(note1) Figures may not add up to the totals due to rounding.

(note2) TEPCO shall reimburse these costs. (On the other hand, limit of delivery bonds issuance from Special Account of Measures for Energy to Nuclear Damage Compensation Facilitation Corporation (current: 5 trillion yen) will be raised by 4 trillion yen, in order to support TEPCO's financing to bear these costs and compensation for victims.).

(note3) 4,210.2 billion yen, combined with FY2013 Supplementary Budget (563.8 billion yen).

Framework of the 25 trillion yen (Reconstruction for the Great East Japan Earthquake)



(note) The project cost of the above doesn't include the one which TEPCO should bear under the Act on Compensation for Nuclear Damage and the Act on Special Measures concerning the Handling of Radioactive Pollution.

(Reference) "Economic Package to Activate Virtuous Cycles" (Cabinet Decision, December 5th, 2013)

As to the reconstruction funding in the "intensive reconstruction period" until 2015, the necessary amount will be secured. In doing so, when it becomes necessary to secure further funding, it will be secured by utilizing the non-tax revenue in the general account in the preparation of the fiscal year 2015 budget.

Outline of prioritized policies in FY2014 budget

- In FY2014 budget, the Government reviewed prioritization of measures and increased budgetary appropriated to prioritized issues which contribute to economic growth, including promotion of investment for the future and ensuring a sense of safety and security in a daily life.

<Advanced technologies and manufacturing>

Major policy measures	Outline	FY2014 budget
Development of a new primary launch vehicle, etc. (Projects with Grants for JAXA)	Commencement of development of a new primary launch vehicle with concentrating all Japan's best-efforts. Promotion of exploration of space science frontiers including "HAYABUSA 2" project. (Ministry of Education, Culture, Sports, Science and Technology)	33.3 million yen
Development of next-generation 3D printer for industries	Realization of high-speed, more-accuracy and diversification of available materials in order to put higher added value on manufacturing. (Ministry of Economy, Trade and Industry)	4.0 million yen
Development of next-generation super computer	Commencement of development of next-generation super computer with 100 times more calculation capacity than "KEI" by 2020. (Ministry of Education, Culture, Sports, Science and Technology)	1.2 million yen

<Education and Medical treatment>

Major policy measures	Outline	FY2014 budget
Super global university project	Support for universities etc. competing internationally, in order to enhance international competitiveness and develop global human resources. (Ministry of Education, Culture, Sports, Science and Technology)	9.9 million yen
Enhancement of the scholarship at universities etc.	(1) Increase of the number of students eligible for student loan without interest, and creation of student loan without interest for Japanese students studying abroad. (2) Enhancement of support for people with sincere difficulties for redemption of student loans. (Ministry of Education, Culture, Sports, Science and Technology)	67.6 million yen
Measures for development of R&D systems in new medical fields (Prioritizing the research and development of medical treatment)	Promotion of developing clinical research and trials and realizing world's cutting-edge medical treatment in each disease field. (Ministry of Education, Culture, Sports, Science and Technology, Ministry of Health, Labour and Welfare, Ministry of Economy, Trade and Industry)	18.4 million yen

<Competitiveness of agriculture>

Major policy measures	Outline	FY2014 budget
Development of an intermediary institution to manage farmland	Development of an intermediary institution to manage farmland and acceleration of consolidating farmland for people engaged in farming. (Ministry of Agriculture, Forestry and Fisheries)	30.5 million yen
Comprehensive support for people engaged in farming and succeeding agricultural business	Subsidy program for young people engaged in farming, and support for training in agricultural corporation, etc. (Ministry of Agriculture, Forestry and Fisheries)	21.8 million yen

<Securing safe and secure life>

Major policy measures	Outline	FY2014 budget
Reinforcement of customs, immigration and quarantine (CIQ)	Renovation and increase of automatic gate system, renovation of biometrics system, establishment of the system accompanied with new airport terminals, and reinforcement of border control by Customs against social evil goods.	3.6 million yen
Grants for disaster prevention and safety	Intensive support for measures against aging infrastructures and for disaster prevention and reduction, implemented by local government. (Ministry of Land, Infrastructure, Transport and Tourism)	128.5 million yen
Reinforcement of Coast Guard systems	Promotion of building patrol vessels of Japan Coast Guard, in order to respond to the current conditions of the Senkaku islands. (Ministry of Land, Infrastructure, Transport and Tourism)	10.3 million yen

→ These above measures and the amount of budget are all included in the “advance priority agenda for new Japan (3.5 trillion yen)”. As for “additional budget to advance priority agenda for new Japan”, 1.9 trillion yen was appropriated to the budget including the above measures.

<FY2014 Fiscal Investment and Loan Program>

	Outline	FY2014 budget
Industrial investment in initial FILP plan	Provision of the largest support in Japan’s history, in order to supply long-term risk money as an encouragement for projects, to activate private investment, and to actively support for expansion of activities of Japanese enterprises in overseas market, export of infrastructures and securing natural resources.	317.2 million yen

Examples of rationalization and review of expenditures

◆ Social Security

- The Government will make maximum efforts for rationalization and improvement of efficiency, with considering natural increase of social security expenditures.
- As for the revision of medical treatment fees, the retail price of the market reflects drug prices on a basis of the result of drug price survey. The Government will promote the reform of medical services, establishing of new subsidies for medical service in region, avoiding more burden on the nation.

◆ Subsidies for rice crop

- The Government will halve direct payment grants for rice, provided to all rice farmers as a compensation to deficit, from 15 thousand yen/ 10a to 7.5 thousand yen/ 10a (from FY2014), and abolish it in FY2030 because it retrogrades structural reform of agriculture. The Government will halve the appropriation for it in FY2014 budget (-80.6 billion yen).

◆ Efficient infrastructure development

- The Government will significantly reduce the amount of budget for New Town development project looking toward its abolishment (-14.8 billion yen from the previous year), considering decrease of population in the future and reform of incorporated administrative agencies.
- As for budget for establishment of ring roads in the three major metropolitan areas, it will be prioritized to projects which will be completed in about 3 years in order to realize early effect of road using. And the budget of road projects to be completed in more than 3 years later will be reduced (8.6 billion yen from the previous year).

◆ Local allocation tax grants

- The Government will cut 40% (1.0 trillion yen → 0.6 trillion yen) of the Additionally Reserved Provision of the grants to address the crisis by Lehman Shock, reflecting the increase of local tax revenue, and reduce Local Allocation Tax Grants etc. (16.4 trillion yen → 16.1 trillion yen).

◆ Review of state subsidy to compulsory education and scholarship program

- The number of teachers in public elementary school and junior high schools will be rationalized and reduced (-713). On the other hand, the number to cope with problems including bullying will be increased (+703), thereby promoting improvement of human resource distribution.
- As for student loan without interest, the Government increases of the number of students eligible for it, and tightens the requirement of household income in order to prioritize the in program to low income households.(9.07 million yen per year → 8.53 million yen per year)
(Note) The above case assumes a household with four people whose children go to a private university from their own house.

◆ Procurement reform of defense equipment

- The Mid-Term Defense Program (Cabinet Decision, 17 December, 2013) includes the measures to promote more rationalization and efficiency in establishing defense capacity through procurement reform.
- The Government will promote procurement reform of defense equipment by reviewing the way of maintenance, bulk purchase, utilizing non-munitions, and reviewing specification of equipment from FY2014, the 1st year to carry out the reform.

Reflection of the Administrative Program Review (“Autumn Review”) by the Administrative Reform Promotion Council to FY2014 budget

Measure	Issues pointed out in the review	Reflection to FY2014 budget
Development, establishment and operation of the satellite network for broad observation of disasters (Cabinet Office)	<ul style="list-style-type: none"> - User’s needs and cost-effectiveness were not examined fully. - In such a situation, it might be impossible to find necessity to appropriate budget. 	<ul style="list-style-type: none"> - The development of the satellite from FY2014 will be postponed. *Demand in FY2014 budget: 8 billion yen (new) → Provision in FY2014 initial budget: 0 yen (-8 billion yen) - Instead, the survey cost to verify effectiveness of satellite system based on user’s needs will be included in FY2014 initial budget (0.3 million yen).
Measures to promote consolidation of farmland (Ministry of Agriculture, Forestry and Fisheries)	<ul style="list-style-type: none"> - It might be unnecessary to continue the Grants for Expanding Farmland. - There are insufficient responses for preventing farmland from being piled up, and it is necessary to provide governors any incentive. 	<ul style="list-style-type: none"> - The Grants for Expanding Farmland will be abolished. *Provision in FY2013 budget: 10 billion yen → Provision in FY2014 initial budget: 0 yen (-10 billion yen) - The rate of subsidy to expenses by the intermediary institution to manage farmland will be 70%, and national expenditure will be added in proportion to the amount of lease of farmland, thereby providing incentives to Governors.
Measures for promotion of education utilizing Information and Communication Technology (Ministry of Education, Culture, Sports, Science and Technology and Ministry of Internal affairs and Communications)	<ul style="list-style-type: none"> - Purpose and vision of the measures are unclear, verification of effect is insufficient. - Few effects of measures are observed and screening of effective measures might be necessary. 	<p><Promotion measures for new learning> (Ministry of Education, Culture, Sports, Science and Technology)</p> <ul style="list-style-type: none"> - Budget demands to expand the measures throughout Japan are withdrawn. *Demand in FY2014 budget: newly 1.7 million yen → Provision in FY2014 initial budget: 0 yen(-1.7 million yen) - Measures for demonstration are screened from a viewpoint of the IT environment and the scale of school ((before)about 40 cases → (after) about 10 cases) *Demand in FY2014 budget: 0.4 million yen → Provision in FY2014 initial budget: 0.1 million yen (-0.2 million yen, -66%) <p><Measures for demonstration of advanced education system> (Ministry of Internal affairs and Communications)</p> <ul style="list-style-type: none"> - As provided above, measures are screened. *Demand in FY2014 budget: 1.5 million yen (new) → Provision in FY2014 initial budget: 0.5 million yen (-0.9 million yen, -63%)
Measures to implement demonstration projects for next-generation business model about energy management (Ministry of Economy, Trade and Industry)	<ul style="list-style-type: none"> - Verification of business model should be carried out by private sector. - It is inappropriate to carry out this measure under the same style. 	<ul style="list-style-type: none"> - The role of public and private will be considered again and the verification of business model will be entrusted to private sector. - In addition, measures will be limited to construction of platform and standardization. *Demand in FY2014 budget: newly 13.8 million yen → Provision in FY2014 initial budget: 4.0 million yen (-9.8 million yen, -71%)

Administrative and fiscal reform

Reform of special accounts

- Some special accounts will be additionally abolished, integrated and revised under the Act for Partial Revision to the Special Account Act (approved on November 15, 2013), in order to promote more efficiency and transparency of fiscal management.
- Concretely, the Government will transfer the Special Account for Infrastructure Development to the General Account, integrate the Special Account for Agricultural Mutual Reinsurance with the Special Account for Fishing Craft Reinsurance and Mutual Relief and the Special Account for Stable Supply of Food, and transfer revenue by issuance of the front-loading bonds of the Special Account for National Debt Consolidation Fund to the General Account. The number of special accounts will be reduced from 17 to 14 and that of items will be reduced from 51 to 34 compared with FY2013.

(note) Special Account for Reconstruction from the Great East Japan Earthquake is excluded.

Measures for management of the number of national public officials (excluding Self-Defense officials)

- The government has exceeded its current rationalization target of the number of staff and controlled increase of staffs, while responding to important issues properly. The Government has achieved large net decrease of staff as a result following measures;
 - Rationalizing of the number of staff
 - Target: -30,244, Result: -32,206 *Target: Decrease by more than 10% from FY2010 to FY2014
 - Controlling increase of the staff
 - Prioritized allocation of human resources, with establishing the system to appropriately respond to important issues, such as patrol within the territorial waters, national security, diplomatic efforts, public safety, and the growth strategy, while controlling increase of staff.
 - Achieving net decrease of staff number
 - 1,203 of net decrease as a whole government (Total number of staff to 297,138 at the end of FY2014)

(Reference) consolidation and abolishment of special accounts

- Some special accounts have been abolished, integrated and revised, and the number of special accounts was decreased from 31 to 17 by FY2011 under the "Special Account Act" (approved in March, 2007)
- From FY2014, some special accounts will be additionally abolished, integrated and revised and the number of special accounts will be 14 (the number of special account will be reduced from 17 to 14 and that of item will be reduced from 51 to 34) under the Act for Partial Revision to the Special Account Act (approved on November 15, 2013).

Special Account (FY2006)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Road improvement	→							
River conservation	→							
Harbour improvement	→	Infrastructure development						for general account
Airport improvement	→							
Financing for urban development fund	→							
Welfare insurance	Pension							
National pension								
Seamen's insurance								
Worker's insurance				Worker's insurance				
Agricultural mutual reinsurance								These special accounts will be integrated into the special account for stable supply of food.
Fishing craft reinsurance and mutual relief								
Earthquake reinsurance								
Forest insurance								
External trade reinsurance								
National forest and field service							Debt management of national forest and field service (temporary special account)	
National land improvement works	→	for general account						

Special Account (FY2006)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Foodstuff control								This special account will be integrated with the special account for agricultural mutual reinsurance and that for fishing craft reinsurance and mutual relief
Measures for reinforcement of operational basis for agriculture	Stable supply of food							
Guarantee for the automobile accident compensation	→	Motor vehicles safety						
Motor vehicles inspection and registration	→							
Patents								
National Center for Advanced and Specialized Medical Care					for Incorporated Administrative Agency			
Registration							for general account	
Consolidation of specified national properties							for general account	
Electric power development promotive measures								
Measures for structural improvement of petroleum and energy supply and demand	Measures for energy							
Industrial investment	→	Government investment and loan fund						
Government loan fund	→							
National debt consolidation fund								
Foreign exchange funds								
Grants of allocation tax and transferred tax								
	31	28	21	21	18	17	17	14

(note) Special Account for Reconstruction from the Great East Japan Earthquake is excluded.

(Reference) Industrial Investment in FILP Plan for FY2014

- Industrial investment would supply long-term risk money as an encouragement for projects and actively accommodate to activate private investment and to support expanding the activities of Japanese enterprises in overseas market, and to export infrastructures and secure natural resources (317.2 billion yen (+20.2%))

<Main policy measures>

- 1. Japan Oil, Gas and Metals National Corporation 81.0 billion yen**
 - Support the exploration and development of projects for shale gas, coal, geothermal energy and metals
- 2. Public-private sector fund 30.0 billion yen**
 - **Cool Japan Fund Inc. 30.0 billion yen**
 - Support expanding the activities of enterprises embodying Cool Japan in overseas market
 - **Private Finance Initiative Promotion Corporation of Japan 30.0 billion yen**
 - Support developing public infrastructure by using PFI, with utilizing funds of private enterprises
 - **Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan 15.0 billion yen**
 - Promote “AFFrinnovation” (the sixth industry) by fully utilizing operations of an Agriculture, Forestry and Fisheries Fund for Innovation, Value-chain and Expansion Japan
 - **Innovation Network Corporation of Japan 10.0 billion yen**
 - Support venture companies and commercialization of cutting-edge technologies
- 3. Institute which supports overseas transport and urban development projects 58.5 billion yen**
 - Found an institute which participates and invests in overseas transportation infrastructures such as railways, and in overseas urban development projects
- 4. Policy finance institutions 45.5 billion yen**
 - **Japan Finance Corporation (SME Operations) 45.5 billion yen**
 - Provide subordinated capital loans for small and medium enterprises
 - **Japan Bank for International Cooperation 31.0 billion yen**
 - Fully utilize “Facility for African Investment and Trade Enhancement”

(Unit: billion yen)

FILP Agencies	FY2013 (Initial Plan)	FY2014 (Initial Plan)	Annual Change (in amount)
1. Japan Oil, Gas and Metals National Corporation	112.5	81.0	▲31.5
2. Public-private sector fund	105.0	85.0	▲20.0
Cool Japan Fund Inc.	50.0	30.0	▲20.0
Private Finance Initiative Promotion Corporation of Japan	10.0	30.0	20.0
Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan	35.0	15.0	▲20.0
Innovation Network Corporation of Japan	10.0	10.0	—
3. Institute which supports overseas transport and urban development projects	—	58.5	58.5
4. Policy finance institutions	46.2	92.7	46.5
Japan Finance Corporation (Small and Medium Enterprise Operations)	45.5	45.5	—
Japan Bank for International Cooperation	—	31.0	31.0
The Shoko Chukin Bank, Ltd.	—	13.5	13.5
The Okinawa Development Finance Corporation	0.5	2.5	2.0
Fund for the Promotion and Development of the Amami Islands	0.2	0.2	—
5. R&D institutions	0.1	—	▲0.1
New Energy and industrial Technology Development Organization	0.1	—	▲0.1
Total	263.8	317.2	53.4

(Reference) Transition of the amount of industrial investment in initial FILP plan
 ○ FY2014 (317.2 billion yen) : the largest-ever scale as an initial amount.

FY2010	FY2011	FY2012	FY2013	FY2014
97.4 billion yen	291.2 billion yen	180.4 billion yen	263.8 billion yen	317.2 billion yen