

# **Outline of the Fiscal System Council's Proposition**

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## **FY2002 Budget Formulation**

### **Fundamental Approach on the FY2002 Budget Formulation**

- Formulate a budget, which will contribute to structural reforms.
- Departure from policies centered on stimulating private demand.
- Thorough improvement to increase spending efficiency.

### **Basic Role of the "Mid-Term Economic and Fiscal Plan"**

- Present a future vision of the economic society, and the paths of various structural reforms.
- Present the path of fiscal structural reforms.
- Present detailed structural reform plans in the main spending areas, to secure supporting evidence for spending reductions.
- Propose a fixed set of ideas for an ideal state on how national burdens should be.

### **<Individual Issues>**

#### **1. Social Security**

- Create a sustainable medical insurance system. (review the scope of public medical insurance, thoroughly increase efficiency within the system, create a framework to balance the growth of overall medical fees with the economic trend)
- Place an equal amount of burdens on the people according to their abilities, independent of their age.
- Deduction of medical fees due to FY2002 reforms.
- Pursue pension system reforms from the perspective of building a sustainable system, and achieving fairness among generations.

#### **2. Public Investment**

- Allocate budgets by taking into account the level of public investment developments to date and the degree of urgency for further investment.
- Prioritize budgeting by including the review of existing plans within fields such as roads, airports, and bullet trains.
- Review of the treatment of motor vehicle tonnage tax revenues.
- Make a transition on the ideology of long-term plans from a project quantity centered ideology to outcome-centered ideology.
- Reduce costs by improving the tendering system, etc.
- Improve methods for cost-benefit analysis, and take positive action to make public releases on information concerning background data such as estimates on demand.

### **3. Local Government Finances**

- Conduct a thorough review on local expenditures.
- Restrain the amount of expenditures towards local public employees' wages related costs, and the number of independent projects by the local governments.
- Review procedures on project fee revisions and gradual revisions, and increase the amount of revenue sources in reserve.
- Review the roles of government administration through both national and local levels, and realize a sustainable fiscal scope.
- Make a thorough review of procedures for fiscal reallocation from the national to local governments.

### **4. Education and Science**

- Concerning educational scholarships, tighten the amount of non-interest scholarships, and expand the amount of interest-bearing scholarships.
- Restrain the total cost of aids towards private schools (paid towards the respective organizations)
- Concerning science expenditures, restrain the total cost of fundamental expenditures, and shift to a competitive funding paradigm.

### **5. National Defense**

- Restrain the amount of contracted expenditures, especially those on new frontline expenditures, where the vast majority of the burden is on the future generations, and restore flexibility of the defense budget.
- Increase efficiency and rationality in expenditures (including subsidies) towards measures for areas in the perimeter of the bases and facility.

### **6. ODA**

- Drastically reduce the scale of the budget.
- Make prioritizations and strategically review those fields subject to aids.
- Make prioritizations among allocations according to the form of the funds.

### **7. Agriculture, Forestry and Fisheries**

- Concentrate measures towards core farmers.
- Review of measures such as the termination of deferment on the base compensation rate for rice field management stabilization measures.
- Improve the balance of the Special Account for Foodstuff Control.

### **8. Energy Measures**

- Reduce public assistance towards oil development related matters, and carefully select projects subject to the assistance program.

### **9. SME Measures**

- Prioritization towards measures for the enhancement of SME structural reforms, and avoidance of moral hazards.

## **10. IT**

- Maintain the basic concept that the development of infocommunication infrastructures such as fiber optic networks should primarily be handled by the private sector.

## **11. Special Public Institutions Reforms**

- Drastically reduce spending towards special public institutions.
- Review finances (switch to subsidy payments, etc.).

## **12. Subsidies**

- Decrease and rationalize subsidies from the central government account, and continue to implement integrated subsidies.

## **13. Judicial System Reforms**

- Consider system reforms from the perspective to efficiently use fiscal resources.