



# Asian Regional Seminar on Public Financial Management

***PFM Reforms: The lessons learnt -promises and tears***

**Session 3: Modernizing Budget Execution**

*PDCA cycle of Japan's  
National Budget*

*Akihiro Tsuchiya*

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# *PDCA cycle of Japan's National Budget*

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*Akihiro Tsuchiya*

*Ministry of Finance, Japan*

*The views expressed by the presenter does not necessarily  
reflect the views of the institution he belongs to.*

# Macro Framework of Budgetary Control

## Legal Framework:

### Constitution

- Single-year budget
- Budget requires approval by the Diet
- Settlement requires audit by Board of Audit & approval by the Diet

### Fiscal Law

- Expenditure of the budget requires to be broken down into “line items” according to objectives
- Others

## Macro Framework:

### Fiscal Consolidation Targets

- To halve the primary deficit to GDP ratio by FY2015 from FY2010 level
- To achieve a primary surplus by FY2020

### Medium-term Fiscal Plan

- To improve the primary balance of National Government's General Accounts at least by 4 trillion JPY both in FY2014 and 2015

### Annual Budget

- “Guidelines for budget appropriation request ” with the aim of:
  - i) capping the total amount of budget request, and thereby
  - ii) ensuring that line ministries set priorities by themselves within the cap

# Budget Execution

## Q. Who is responsible for budget execution?:

### → A. Line ministries

- Line ministries must execute each “line item” in line with its objectives.
- Line ministries must submit “payment schedule” quarterly, which is subject to finance minister’s approval from fiscal and monetary aspect.  
(But, finance minister does not micro-manage each expenditure)

## Q. How should efficient execution be pursued under single-year budget system?:

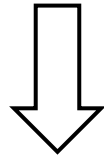
### → A1. Carry-over

- To prevent the typical end-of-the-year rush to spend unused funds
- Well-defined criteria and simple & timely procedure are important to promote the use of carry-over.  
(Ex. Reform in 2010 increased the annual carry-over by about 80%)

### → A2. PDCA cycle through budget execution review (next page)

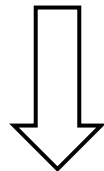
# Budget Execution Review

## Budget Execution



### Formal Audit

- By Board of Audit
- Review on Accuracy of Accounts, Legality & Efficiency



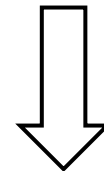
Reflection

Additional Efforts  
(Since 2010)



### Administrative Program Review

- Arranged by Cabinet Office & Conducted by Line Ministries
- Review on Effectiveness, Efficiency & Policy Needs



Reflection

## Budget Planning

# Administrative Program Review

## Overview:

- I. Each line ministry reviews all budget programs based on “review sheet.”
- II. With regard to some important programs, each line ministry organizes the third party panel discussion.

## Features:

- **Ownership:** Each line ministry reviews its own programs under the arrangement of cabinet office.
- **Comprehensiveness:** Review covers all budget programs. (Over 5000 programs)
- **Depth:** Review sheet includes details of programs. (Ex. Fee and party to government contracts)
- **Objectivity:** The third party panel discussion (→ The panel judges whether the program needs  
①drastic reform, ②reform or ③no reform)
- **Transparency:** Review sheets & third party panel discussions are posted on the website and can be easily searched.



# Example of Review Sheet①

<b>Program</b>	Training on Doctors about Cancer	<b>Account</b>	General Account	<b>Legal Basis</b>	Cancer Control Act		
<b>Overview</b>	Disbursing Subsidy to Contracts for Training on Doctors about Cancer			<b>Modality</b>	Contract		
<b>Execution</b>		FY2010	FY2011		FY2012		
	Amount (Million Yen)	276	350		382		
	Execution Rate (%)	58	83		94		
<b>Output</b>	<b>Indicator</b>			FY2010	FY2011	FY2012	FY2013
	View Number of Internet Lectures		Output	68	31	26	-
			Prospects	-	30	30	-
	<b>Indicator</b>			FY2010	FY2011	FY2012	FY2013
	Number of Lectures on Rehabillitaion		Output	5	6	7	-
			Prospects	-	6	-	-

## Review by Line Ministy

<b>Needs</b>	A	Considering possibility to develop cancer is significant in Japan, allocating national budget is appropriate.
<b>Efficiency</b>	A	Contractees are selected adequately considering expertise and capacity.
<b>Effectiveness</b>	A	Effectiveness of this program is higher than other measures.
<b>Conclusion</b>	Efforts have been made to examine the cost through drastic review. Also, output is broadly in line with prospects.	

## Review by Third Party Panel

Drastic reform is necessary by imposing tuition fee and grasping the correct number of trainee.

## Direction of Improvement

Cutting Budget through Review of the Program

# Example of Review Sheet②

## Flow of Budget Execution

**Ministry of Health, Labour and Welfare (61 Million Yen)**

{ Disbursing subsidy }

**Japan Society of Clinical Oncology (48 Million Yen)**

{ Operating Internet Lectures }

**Live Planning Center (13 Million Yen)**

{ Operating Lectures on Rehabilitation }

**Japan Society of Psycho-Oncology (28 Million Yen)**

{ Operating Lectures on Communication with Patients }

**Japan Association of Cancer (45 Million Yen)**

{ Operating Lectures on Consultation about Treatment }

⋮

### Breakdown

- Contract Fee to Subcontractor (21 Million)
- Wage for Part-timer (3 Million)
- Fee for Lecturer (2 Million)

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### Breakdown

- Wage (4 Million)
- Fee for Lecturer (3 Million)
- Travel Allowance for Lecturer (2 Million)

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