The Japanese Government Reform of 2001 and Policy Evaluation System: Efforts, Results and Limitations*

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INTRODUCTION

The decline of trust on government is a common phenomenon among the advanced capitalist countries. Growing complaints against inefficient public bureaucracies have led governments to a global movement of the New Public Management (Kettl 2000). As many scholars have analyzed, the New Public Management or ‘NPM’ is not an established theory but a collection of economic measures to reform public administration. So far, the relationship between public administration and economic interest has been that of water and fire. However, the border line between the public and the private sector has been blurred theoretically and practically through the adoption of NPM. Both political leaders and taxpayers welcomed NPM for reducing bureaucratic power and public spending and making the government more “customer-oriented.” As a result of a series of reforms, organizations of the public sector have changed like those in the private sectors. Many governments have replaced permanent employee with part-timers. More and more governments have begun to introduce “performance-related pay” into the civil service to embed economic incentives into the public employment.

However, business-like reforms have produced many unanticipated results in the public governance. In OECD countries, political leaders recognized that the governments were facing more difficult in dealing with serious social problems due to the fragmentation of policy making (OECD 2005). In developing countries, transition toward a market-driven mode of governance diminished the ‘publicness’ of public service, worsened condition of accountability, and eroded the level of public trust (Haque 2001). These observations endorse that there is no magic sword in governance reform of the world (Koike 2000).

In effect, the results of the internationalization of NPM are much more complex. Some countries have recentralized their senior civil service systems from the standpoint of cultural cohesion of civil service (OECD 2005). In the United States, a number of municipalities have contracted back in their public services that were privatized previously (Warner and Hefetz 2004). Though an “NPM fever” is not going away yet, more countries have realized that public administration arrangements are inextricably linked to fundamental institutions of public governance (OECD 2005:10).

Reformers should understand the importance of historical and cultural contexts of respective countries while thinking of the effectiveness of reform measures. This perspective is especially important in analyzing policy evaluation system in Japan. In January 2001, the Government of Japan has reorganized central machinery and has introduced a government-wide policy evaluation system under the influence of NPM movement (Hori 2003). The reforms measures
are the products of the Administrative Reform Council (1996-97) chaired by the former Prime Minister Hashimoto Ryutaro. In order to put an end to the bureaucratic governance, the Reform Council proposed a series of reform measures; a reshuffling of central ministries, the creation of the Cabinet Office, and a separation of planning and delivery functions through the establishment of Independent Administrative Agencies. The Reform Council also proposed the reinforcement of policy coordination at the center, because the reorganization would establish ‘gigantic’ ministries in the cabinet. However, it discussed a little about policy evaluation system and the planning of new system was assigned to the Management and Coordination Agency. The Government Policy Evaluation Bill was submitted by the Cabinet to the Diet in January 2001, enacted in June 22 and came into effect in April 2002. The newly created Ministry of Internal Affairs and Communications (MIC) is assigned authority which is responsible for policy evaluation. In June 2005, MIC published the first Review Report on the implementation of GPEA based on the additional clause 3 of GPEA. The Report pointed out progress and problems that took place in three years since the enactment of GPEA. Survey data in the Report revealed that some ministries had used policy evaluation for their result-based management and the rest had not. We observe that there was a spread of “evaluation fatigue” among the government offices, which was caused by the increase of “transaction costs.” Each year, each ministry had to prepare a large quantity of evaluation reports for the central management agencies, but most of the efforts were not compensated.

This paper argues that the marginalization of policy evaluation system in Japan is closely related to the strategies of administrative reform and the reformed institutions of parliamentary cabinet system. The former distorted the principle of policy evaluation, while the latter set limitations to the development of self-evaluation system in the government. In the pursuit of effective policy evaluation, reforming institutions for the horizontal cooperation among ministries seems unavoidable due to competitive reforms among them. Harmonization of public organization is essential for improving the quality of public service in the 21st century. Policy evaluation is a device rather than an obstacle for it. In this regard, we could say that the administrative reform of 2001 has not finished yet. Rather it is a starting point for us to reconsider the role of government for the future.

Chronology of Policy Evaluation in Japan

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1 Ministry of Internal Affairs and Communications (MIC) was previously called as the Ministry of Public Management, Home Affairs, Posts and Telecommunications (MPHPT). Japanese name is “SOUMUSHO” which means the Ministry of General Administration.
<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Cabinet</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996.11</td>
<td>Establishment of the Administrative Reform Council (ARC)</td>
<td>Hashimoto</td>
</tr>
<tr>
<td>1997.12</td>
<td>The Final Report of ARC issued</td>
<td>Hashimoto</td>
</tr>
<tr>
<td>1998.6</td>
<td>Central Machinery Reform Bill passed the Diet</td>
<td>Hashimoto</td>
</tr>
<tr>
<td>1999.5</td>
<td>Government Information Disclosure Act passed the Diet</td>
<td>Obuchi</td>
</tr>
<tr>
<td>2001.1</td>
<td>New central machineries established. MCA issues the Standard Guidelines for Policy Evaluation</td>
<td>Mori</td>
</tr>
<tr>
<td>2001.3</td>
<td>The Government Policy Evaluation Bill submitted</td>
<td>Mori</td>
</tr>
<tr>
<td>2001.6</td>
<td>The Government Policy Evaluation Bill passed the Diet</td>
<td>Koizumi</td>
</tr>
<tr>
<td>2001.12</td>
<td>Cabinet Decision on the Basic Policy on Policy Evaluation</td>
<td>Koizumi</td>
</tr>
<tr>
<td>2002.4</td>
<td>The Government Policy Evaluation Act (GPEA) came into effect</td>
<td>Koizumi</td>
</tr>
<tr>
<td>2005.6</td>
<td>Review of GPEA</td>
<td>Koizumi</td>
</tr>
</tbody>
</table>

POLICY EVALUATION AS AN INSTRUMENT OF ADMINISTRATIVE REFORM

On December 3, 1997 the Administrative Reform Council submitted the Final Report to Prime Minister Hashimoto. The Final Report highlighted four reform agendas: i) consolidation of central ministries; ii) strengthening of cabinet functions; iii) outsourcing and efficiency; iv) transparency and accountability. It was self-evident for everyone that priority was given to the establishment of political leadership over bureaucracy. The Reform Council proposed the reduction of the number of central ministries from the standpoint of efficiency. Then, it recommended the creation of the Cabinet Office to strengthen the leadership of the Prime Minister. Furthermore, it proposed the establishment of policy evaluation system for the transparency and accountability of public administration. The Final Report stated that the central ministries had put more priority on planning legislation and increasing budgets, and had paid less attention to evaluating socioeconomic effects of public policies. Based on these assumptions, the Reform Council stressed the importance of ‘result-based management.’

In the Final Report, policy Evaluation was designed in a decentralized structure. At primary level, each government office conducts evaluation on policies and programs. At the second level, Ministry of Internal Affairs and Communications (MIC) will conduct a cross-ministerial supervision of implementation of policy evaluation system. The Reform Council proposed the two-layered structure of government-wide policy evaluation.
i) Each government office will be responsible for designing its evaluation system and for the conduct of evaluation of policies which they are in charge of; Each ministry will set up a division to deal with policy evaluation;

ii) Ministry of Internal Affairs and Communications (MIC) will be responsible for the overall management of the policy evaluation system. MIC will conducts *ad hoc* policy evaluation on the cross-cutting issues of the government.

To implement recommendations of the Reform Council, the government established the Inter-ministerial Preparation Conference for Policy Evaluation to prepare guidelines on policy evaluation in May 1999. Management and Coordination Agency hosted the conference and submitted a tentative guideline to the Preparation Conference in April 2000. The proposed guideline defined the objectives and basic framework of evaluation. In addition, it included a complementary note which stated that “the fiscal authority will be encouraged to utilize the results of policy evaluation in the process of budget compilation.” Soon after the official approval of the tentative guidelines in July 2000, Ministry of Finance (MOF) directed government offices to submit some kinds of ‘policy evaluation records’ for budget estimate in August 2000. It was in January 2001 that the *Standard Guidelines for Policy Evaluation* was formally approved by the newly established Liaison Conference on the Cabinet Office and Ministries for Policy Evaluation. The *Standard Guidelines* commanded government offices to connect the results of policy evaluation to policy planning, by ordering the follows:

1. Government offices must establish some mechanisms so that the results of policy evaluation will be reflected in a timely and appropriate manner in carrying out planning and proposal tasks.

2. The Ministry of Internal Affairs and Communication notifies the results of evaluation to the government office concerned and, if it is indeed necessary, makes advice. Subsequent to the advice, the Ministry of Internal Affairs and Communication requests the government office concerned to submit a report with an appropriate period of time how the results of policy evaluation are being reflected in policy, and if there are any items for advice that are deemed necessary to be reported to the Prime Minister, the Ministry of Internal Affairs and Communication provides opinion to the Prime Minister.

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2 The ‘records on the intentions and objectives of programs’ is the formal title of the ‘policy evaluation records.’
In terms of reflecting the results of evaluation on the budget, each government office reflects the results of the examination appropriately on its budget requests. The fiscal authorities must try to use the results of policy evaluation appropriately during the process of formulating the budget. (underlining by the authors)

Following the Guidelines, the Ministry of Finance has sought for measures to reflect results of evaluation on the budget compilation. However, it is not easy for them to use evaluation records in the assessment of budget proposals, partly because of the traditional budget assessment system of the government. The assessor estimates the cost of each project submitted by ministries. However, the evaluation record is a collection of the results of program evaluation. An officer of the Bureau of Budget of MOF confessed that “the policy evaluation records submitted are mostly useless in the budget assessment. ….We have expected that there might include something we can use it for reducing budget”3 In the latest document, Ministry of Finance has reiterated their interests on policy evaluation as follows:

“We have tried to strengthen the linkage between policy evaluation and budget through the revision of units and items of ‘policy evaluation records.’ However, there are more rooms to be improved on the ‘policy evaluation record’ submitted by ministries. Firstly, descriptions of targeted goals are still abstract and remain qualitative, while there is some increase of quantitative descriptions. Secondly, most of the ‘policy evaluation records’ are kind of self-appraisal for the budget request. Thus, the evaluation records do not always support the objectivity and neutrality of the evaluation. Base on the above observations, it seems necessary for us to continue efforts in clarifying policy system, quantifying policy objectives, and publishing evaluation data, etc.“ (Ministry of Finance 2006)

Meanwhile, members of the Council on Economic and Fiscal Policy (CEFP)4 submit a paper titled ‘Towards the Improvement of Policy Evaluation’ in October 5, 2004. It required MOF to

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3 The minute of the fifth meeting of the Advisory Panel on the Role of Policy Evaluation in the Ministry of Finance (December 27 2000). This advisory panel is established based on the Standard Guidelines on Policy Evaluation.

4 The Council on Economic and Fiscal Policy is multi-judge organization set up in Cabinet Office in January 2001 with the aim of strengthening the Prime Minister's political leadership in the matter concerning economic and fiscal policies.
bind evaluation and budget more tightly. The attitudes of CEFP and MOF demonstrate that the government clings to the traditional central management approach, in contradiction to GPEA which emphasizes the decentralized management of policy evaluation by government offices. We assume that this distortion of the principle of policy evaluation amplifies suspicion on evaluation among government officials. The intervention of MOF substantially increases ‘transaction costs’ for line ministries, because line ministries have to make ‘policy evaluation records’ separately for MOF. In effect, it is really hard work for evaluators of line ministries, as the record making will strongly determine and affect budget acquisition of the ministries.

**POLICY EVALUATION IN THE BUREAUCRATIC GAME**

Like in other countries, policy evaluation in Japan is not an easy task for public officials, not only because of technical difficulties but also because it requires high moral consciousness in using evaluation results for the improvement of organizational performance. It increases “transaction costs” between the evaluator and the evaluated and between the ministry and the central management agency.

It is the Ministry of Internal Affairs and Communication (MIC) that is responsible for the operation of policy evaluation system, while the Ministry of Finance exist behind the curtain. Figure 1 shows the role of MIC and other government offices in the policy evaluation system.

GPEA defines the objectives of policy evaluation as follows:

1) to make public administration thoroughly responsible for explaining its actions to the public.

2) to achieve effective and high quality public administration that focuses upon the well-being of the people first.

3) to change over to results-oriented public administration that reflects the people's viewpoints.

Figure 1

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5 The authors of the paper are Jiro Ushio (The Chairman and Chief Executive Officer of USHIO INC.), Hiroshi Okuda (The Chairman of Toyota Motor Corporation), Masaaki Honnma (Professor of Osaka University), and Hiroshi Yoshikawa (Professor of University of Tokyo).
For the conduct of government-wide policy evaluation, GPEA introduced a decentralized structure where individual ministries make policy plans and proposals and implement them. The roles of MIC are to conduct unified or comprehensive evaluation of the policy of each ministry, or conduct evaluation to ensure the objective and strict implementation of policy evaluation. In addition, MIC summarizes and publishes the results of evaluation in the government and how these results are reflected on policy and other administrative affairs including the holding of a meeting of a "liaison conference for policy evaluation organizations." GPEA defines three standard evaluation methods; 1) project evaluation, 2) performance evaluation, 3) comprehensive evaluation. Each ministry selects an appropriate evaluation method and carries out evaluation in accordance with the characteristics of its own policy and the need for policy evaluation in each area.
"Project Evaluation" to provide information useful for adoption, rejection, and selection of administrative activities by conducting evaluation beforehand, and by carrying out verification during and after the implementation.

"Performance Evaluation" to provide information on the extent of policy achievements. This is accomplished by setting up the goals to be achieved beforehand in the wide-ranging areas of administration, measuring the performance, and evaluate the extent of goal achievements.

“Comprehensive Evaluation” to provide a variety of information useful for solving problems by setting up a specific theme, carrying out comprehensive evaluation by looking at the theme deeply and from various angles, and by finding out policy effects.

In June 2005, MIC published its first Review Report on the implementation of GPEA for the first three years. It reported that most ministries are good in operating self-evaluation of their policies and programs. Table 1 shows the number of evaluation reports submitted to MIC by the category of evaluation. The numbers of policy evaluation by government organizations is 8549. 80% of the evaluation reports are on public work. It is mandatory for ministries to conduct both ex-ante and ex-post evaluation on public work projects. On the other hand, the number of performance evaluation is 443 and that of comprehensive evaluation is 91.

Performance evaluation is the essential part of policy evaluation, for it evaluates policies and programs setting targets that can measure the outcome. The ratio of policies that contain some numerical targets in performance evaluation has increased from 34% in 2002, to 50% in 2003, 56% in 2004, and 55% in 2004. It indicates that the idea of the GPEA is less understood by the ministries. Of course, there are gaps among ministries. We categorize them into the three types—“fast-runner,” “mid-runner,” and “slow-runner,” as follows:  

- “fast-runners” (more than 80%): the Ministry of Land, Infrastructure and transport; the Ministry of Agriculture, Forestry, and Fisheries;
- “mid-runners” (more than 50% ~ less than 80%) : the Ministry of Education, Sport, Culture Science, and Technology ; the Ministry of Environment; the Ministry of Internal Affairs and Communication, the Ministry of Justice
- “slow-runners” (Less than 50%): the Cabinet Office; the Ministry of Finance; the Ministry

6 The Ministry of Economy and Industry is not classified because it did not submit performance evaluation report to the MIC.
of Health, Labor and Welfare; the Finance Agency.

The “fast-runners” are the ministries that have practiced policy evaluation prior to the enactment of GPEA. For instance, the Ministry of Land, Infrastructure and Transport has established its own policy evaluation system when it was the Ministry of Construction. At that time, the Ministry introduced evaluation system to cope with growing criticism on unnecessary public works like dam constructions.

However, in general, we can say that most ministries are absolutely slow in developing policy evaluation system and applying it to the performance management. The report admits that consciousness of public officials on policy evaluation is changing, saying that more employees recognize the significance of evaluation and result-based management. But, this observation is questionable. The data in the Report indicates that the number of ministries which use the results of evaluation in policy making is still limited. In case of ‘project evaluation,’ only a few ministries have linked the results of assessment to the improvement or revision of the targeted projects.

Table 1  Number of Policy Evaluation Report surveyed by MIC (FY 2005)

<table>
<thead>
<tr>
<th>Classification</th>
<th>Ex ante evaluation</th>
<th></th>
<th>Ex post evaluation</th>
<th></th>
<th>Total</th>
</tr>
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<tr>
<td></td>
<td>ministries Cases</td>
<td>Ministries Cases</td>
<td>Ministries Cases</td>
<td>Ministries Case</td>
<td></td>
</tr>
<tr>
<td>General policy</td>
<td>Performance Evaluation</td>
<td>13</td>
<td>443</td>
<td>13</td>
<td>443</td>
</tr>
<tr>
<td></td>
<td>Comprehensive Evaluation</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>91</td>
</tr>
<tr>
<td></td>
<td>Project Evaluation</td>
<td>12</td>
<td>329</td>
<td>6</td>
<td>101</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>12</td>
<td>329</td>
<td>16</td>
<td>635</td>
</tr>
<tr>
<td>Designated three policies</td>
<td>Research and Development</td>
<td>8</td>
<td>332</td>
<td>7</td>
<td>601</td>
</tr>
<tr>
<td></td>
<td>Public works</td>
<td>5</td>
<td>4,361</td>
<td>4</td>
<td>3,209</td>
</tr>
<tr>
<td></td>
<td>ODA</td>
<td>1</td>
<td>38</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>10</td>
<td>4,731</td>
<td>8</td>
<td>3,818</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>13</td>
<td>5,060</td>
<td>16</td>
<td>4,453</td>
</tr>
</tbody>
</table>

Source: Ministry of Internal Affairs and Communications (2006:3)

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7 However, a study on the consciousness of public employees of the Ministry of Internal Affairs and Communication shows that the only 40% of public employees has recognized the results evaluation on their activities (Ministry of Internal Affairs and Communications 2005).
These problems are caused by the contradictory strategy of the Reform Council. On one hand, the Japanese government maintains its traditional centralized management system; on the other, it attempts to introduce flexible and decentralized policy evaluation system. These flexibilities are framed well in the provision of the *Standard Guidelines*, which states that it is selective for line ministries to adopt evaluation measure by choosing from the three types of evaluation, i.e., project evaluation, performance evaluation, and comprehensive evaluation. MIC will only check the effectiveness and validity of selected measures in evaluating policies through analyzing evaluation reports from line ministries. After all, MIC will make proposals and encourage ministries to take appropriate actions, on a non-coercive basis. What more important is that the decision is left to line ministries, as whether they use, or not, evaluation results in their policy making process. So, in other words, “*they can use it when they need it, and don’t use it if they don’t need it.*” The same applies to the case of budget formation in line ministries. So, here, our question is, despite these flexibilities in implementation, why are most ministries so passive in carrying out policy evaluation? Is it only because of the “transaction cost” of evaluation?

In the previous section of this paper, we analyzed that the passive attitude of public officials on evaluation is due to the intention of fiscal authority to connect evaluation to national budget compilation. Even if the Finance Ministry explains that it has no intention to use evaluation for budget assessment directly, line ministries do not think so. In the end, ministries submit evaluation records that show the evidence of good performance to the Bureau of Budget.  

Nevertheless, the Cabinet Office and the Council on Economic and Fiscal Policy never give up their attempt to link budget and evaluation. After all, ministries will obey to the central management agencies. However, it might encourage more competition between ministries, rather than cooperation. In theory, organizations seek for cooperation if it might bring a good return to them. This kind of horizontal cooperation is expected in the practice of result-based management among the advanced countries (Baskvis and Juillet 2004; OECD 2005). In Japan, the Government Policy Evaluation Act has entrusted the evaluation of cross-cutting issues to MIC. However, MIC has no power to force horizontal cooperation among the related ministries. At any rate, the ministries will not engage in the horizontal cooperation. Under the Cabinet system the government employee of each ministry has owed responsibility only *vis-a-vis* the

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8. It is not so much as the cases of the evaluation report submitted for MIC, for the thing MIC could do is only recommending improvement of policy evaluation activities. It results gaps in their attitudes on the development of self-evaluation in respective ministries.

9. MIC carries out policy evaluation for the coherence and comprehensiveness of government-wide policy issues. MIC has evaluated the policies as follows; preservation of water quality of lakes; Official Development Assistance, employment of the handicapped; development of resort area, promotion of recycling of wrapped cases.

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minister of state. Therefore, the budget and accounts are done at each ministry unit. It is quite unlikely for them to work for other ministries. ‘Horizontal cooperation’ is, in this institutional setting, contradictory with the principle of ministerial responsibility.

In the budget formation of FY 2004, the government has introduced a new program of ‘policy packages’ in the budget compilation. The ‘policy package’ is a grouping of related policies across the ministries. Under direction of the Cabinet Office, related ministries jointly formulate and implement budget proposal on ‘policy package’. However, there is no established evaluation framework for ‘policy package’ at this moment.

LESSONS FOR MODERNIZING JAPANESE PUBLIC ADMINISTRATION

Administrative Reform in 2001 was a watershed in the history of public administration in Japan. It intended to transform a traditional ‘bureaucratic state’ to be a more ‘business-like’ organization. The reform reduced the number of public employment significantly. It improved the transparency of administration greatly through the disclosure of government information and through the programs of E-Government.

But, as for policy evaluation, it is not working well as a tool for performance management of each ministry. Policy evaluation is a core of ‘result-based management’ to be performed through a decentralized structure. All governmental office is designated as the evaluator to promote ‘management cycle’ of “PLAN-DO-SEE”. However, the situation is confusing. The government seeks more centralized management of policy evaluation by linking evaluation results to the budget compilation. There is a deep-rooted infidelity among the political leaders against the bureaucratic behavior of ‘budget maximization.’ This kind of thought is contradictory with an approach of managerialism that emphasizes the delegation of authority and responsibility to the line ministry in order to improve organizational performance through self-evaluation and motivation of the staff.

If government pursues the effectiveness of policy evaluation, reformation of budget process seems indispensable. In this regard, the Cabinet Decision on “Basic Policy 2004 regarding Economic and Financial Management and Structural Reform” (June 2004) would be a good chance to break the deadlock. It commanded fiscal authorities by the year 2006 to tie budget and accounts in every policy and to establish new budget compilation system and accounts system.

10 In 2004, 10 ‘policy packages’ such as ‘support for nurturing next generation,’ tourism for foreign visitors,’ ‘measures for young and long term unemployment’ have been introduced.
that can appraise budget and evaluation results. As noted before, the Bureau of Budget has assessed each project of each ministry. If the unit of assessment is to be categorized by program level, both the Bureau of Budget and each ministry can connect the results of program evaluation and budget proposal smoothly. That will decrease the ‘transaction cost’ in budget making process. It will also diminish the involvement of politicians in the budget process if all of the process and results are open to the public. Then, public trust on government will be improved and the morale of public officials will be raised. The most important task for government is the development of human resources to perform high quality evaluation. It requires cost, of course. The government should recognize it as the investment for the future of Japan.

In the pursuit of effective policy evaluation, reform of institutions that prevent horizontal cooperation of ministries is unavoidable. Harmonization of policy management across the government offices is essential for the quality of public service in the 21st century. Policy evaluation should be a device for it. Horizontal cooperation, “joined-up government,” and “whole-of-government” are the new challenges for governments in the world. It is not discussed in Japan so much at this moment. In this sense, the administrative reform in 2001 is not a goal, rather the first door to modernize governance for the future.

REFERENCE


