

Policy Evaluation in the Government of Japan

The former first secretary of the Japanese embassy in Washington, DC compares his country's 2002 Government Policy Evaluation Act with the US government's 1993 Government Performance and Results Act.

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Like the United States, the Government of Japan has devoted substantial effort in recent years to developing relevant performance measures for assessing the effectiveness of its ministries in meeting the needs of Japanese citizens. In the US, the Government Performance and Results Act (GPRA) was enacted in 1993 and performance measurement settled down in the federal government through pilot projects. President Bush's 2003 budget submission to Congress on February 4, 2002 marked a significant step on the long road to a results-oriented government by using performance measures to develop policies, to make budget decisions, and to improve everyday program management. The president's submission described Japan as among those countries developing measures of assessing outputs and outcomes in order to better manage program results. Japan was described as being "still in the early phases of transforming to an outcome-focused approach." Within months, Japan's Government Policy Evaluation Act (GPEA) went into effect.

This article outlines the status of GPEA implementation within the Japanese government. As such, it provides practitioners and analysts with a basis for comparing US and Japanese government reform efforts, highlighting the similarities and differences between GPEA and GPRA. An historical overview and assessment of the current status of GPEA implementation follows. The article concludes by identifying emerging themes.

Policy Evaluation in Japan Prior to GPEA

Before GPEA, there were two types of administrative inspection and audit—external and internal. Government organs did internal checks on their business, financial procedures, and service discipline. As for external checks, the Board of Audit, as an independent body of the executive branch, was responsible primarily for auditing revenues and expenditures of the nation and adjusting the nation's credits

and liabilities. In addition, the Administrative Inspection Bureau of the Management and Coordination Agency (MCA) was responsible for governmentwide administrative inspection, similar to US General Accounting Office's (GAO) program evaluation, as a *quasi*-external check. Cost benefit analysis was used for public works projects, but it was used primarily to request funding or to justify a project before the project had been approved rather than after it had begun.

GPEA No Mere Reincarnation of GPRA

As is described later in this article, 22 ministries and agencies were reorganized into about half the number of ministries by the Hashimoto Administrative Reform in January 2001. A policy evaluation system throughout the government was initiated concurrently. First, new government ministries assumed responsibility for evaluating policy, altering the planning and development of their policy accordingly, and providing the public with information on policy evaluation. Additionally, the Ministry of Public Management, Home Affairs and Posts and Telecommunications (MPHPT) took on the function of governmentwide policy evaluation. These changes ensured that policy evaluation was done in a comprehensive and objective manner throughout the government.

The MPHPT was established by integrating the MCA, which was responsible for public management affairs such

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as freedom of information and administrative procedures, and two other ministries. MPHPT's Administrative Evaluation Bureau was founded by developing the Administrative Inspection Bureau at the MCA.

Soon after the MPHPT was established, it studied overseas examples of policy evaluation, including GPRA, and began writing proposed legislation for government policy evaluation. The Government Policy Evaluation Act passed in June 2001 and came into effect in April 2002. Policy evaluation, then, was institutionalized legally in the Japanese government. Policy evaluation in GPEA means a general idea covering project evaluation (e.g., cost benefit analysis on public works), performance evaluation (which corresponds to GPRA's performance measurement), comprehensive evaluation (which is similar to GAO's program evaluation), and regulatory impact analysis.

Major Provisions of GPEA

Its major provisions include specific taskings for the executive branch:

- The government shall establish basic guidelines to implement policy evaluation systematically and steadily. To this end, the MPHPT shall make a draft of the basic guidelines, refer it to the Commission on Policy Evaluation and Evaluation of Incorporated Administrative Agencies, and request Cabinet approval. The basic guidelines shall prescribe principles for conducting policy evaluation, matters related to studying and acquiring information on policy evaluation, matters regarding the conduct of *ex-ante* evaluation and *ex-post* evaluation, and matters related to providing the public with information on policy evaluation via the Internet and other media.
- A ministry or agency shall draw up, using the basic guidelines, a basic plan for policy evaluation for a term of three to five years. The basic plan shall prescribe principles for conducting policy evaluation, matters related to studying and acquiring information on policy evaluation, and matters related to the conduct of *ex-ante* and *ex-post* evaluations.
- A ministry or agency shall decide on an operational plan for conducting *ex-post* evaluation. It shall carry out *ex-post* evaluation based on the basic plan and the operational plan. When it makes a decision on policy regarding individual projects of research and development, public works, and official development assistance, the *ex-ante* evaluation shall be used.
- The MPHPT shall evaluate policies that belong to two or more administrative organs in order to secure unity and comprehensive implementation.

Occasionally, the MPHPT will find that an administrative organ is not conducting policy evaluation adequately despite MPHPT findings that such evaluation is necessary due to changes in social or economic conditions. In these

instances, the MPHPT shall conduct evaluation of the policy for the said administrative organ in order to ensure objective and rigorous implementation of policy evaluation in the government.

When the MPHPT finds it necessary to evaluate policy as described in the last two bullets, it shall either recommend that those organs take actions necessary to reflect the results of MPHPT's evaluation in planning and development of specific policies or advise the prime minister to direct those organs to do so.

Policy effects shall be studied employing rational means properly suited to the special characteristics of the policy using as quantitative a method as possible. The knowledge of persons of learning and experience shall be acquired and utilized in accordance with the special characteristics of the policy.

GPEA-GPRA Comparison

The US GPRA is specifically different from the GPEA in that:

- GPRA is the part of budget framework where each agency has to submit a performance plan annually to the Office of Management and Budget (OMB). In GPEA, each ministry evaluates its policy, and reports not to the Ministry of Finance, but to the MPHPT, which is responsible for governmental management. This is because GPEA's purpose primarily is to review policy and to improve accountability of the government to the people.
- Each agency is required to measure its performance with GPRA. In GPEA, each ministry assumes the role of evaluating its own policy and the MPHPT evaluates policies that belong to two or more administrative organs in order to secure unity and comprehensive implementation. The MPHPT also evaluates the policy of an administrative organ for the purpose of ensuring objective and rigorous implementation of policy evaluation in the government. For instance, when the MPHPT finds that the said administrative organ is not evaluating its own policies despite the fact that policy evaluation is necessary, the MPHPT must evaluate the administrative organ's policies.
- GPRA describes in detail processes and procedures of performance measurement in the US government. In addition to the law, OMB Circular A-11 minutely provides operational principles on performance measurement. On the other hand, GPEA does not provide such comprehensive procedural guidance and leaves it up to each ministry to choose its method of evaluation. This is because GPEA covers policy evaluation widely and it is not appropriate to determine a uniform procedure. It might be possible to say that US laws generally make much of procedures and GPRA provides procedure well.
- GPRA can be applied to an executive department, a government corporation, and an independent establishment.

GPEA is intended for 18 government organizations under the Cabinet. The National Personnel Authority (NPA) and the Board of Audit (Board) are not covered by GPEA. The NPA is largely independent of the Cabinet, and the Board does not belong to the executive or legislative branch. An incorporated administrative agency, which was established by separating implementation functions from a ministry, it is not the target of GPEA, but has its own framework of evaluation for its activities. They are evaluated by an evaluation committee of the ministry concerned and the results are reflected in funding and personnel affairs.

- In GPRA, performance measurement activities are defined as inherently governmental functions, and drafting strategic plans and annual performance reports should be performed only by federal employees. On the other hand, GPEA encourages the use of the knowledge of persons of learning and experience outside the government. Relatively speaking, GPRA, as a management tool, makes much of improving government's efficiency, but the purpose of GPEA is to improve accountability of decision making by objective and rigorous evaluation.

Both GPRA and the GPEA focus on outcomes rather than outputs. This is in contrast to policy evaluation bodies in countries such as New Zealand, which put an emphasis on output. As the US and Japanese governments attach greater importance on whether the policy has attained its goal, and how many benefits the policy has produced, they adopt an outcome-oriented framework.

In summary, GPEA contains the whole of policy evaluation and is designed to be a more comprehensive policy assessment system than GPRA.

Factors Contributing to Passage of GPEA

Prior to passage of GPEA, the Government of Japan was being criticized for the lack of analytical rigor in its budget formulation processes. It was said that the Japanese government made much of the planning aspect in a "plan-do-see" cycle of public policy, and that it put an emphasis on formulating laws and securing budgets. Little attention was paid to reviewing policy in response to policy effects and changes of environments.

For example, newspapers criticized the government for continuing to build too many roads in areas with only limited vehicle usage. This was partly because a public works project was adopted not only for building infrastructure but also for stimulating the economy. Political commentators also frequently voiced the opinion that a government bureaucrat's reputation was based primarily on how much budget he or she secured and how many laws he or she drafted. The emphasis was put on securing funding (inputs) to the detriment of evaluating the impact of these funds on immediate outputs and long-term program outcomes. Similar observations can be made of decision-making processes in other democratic governments.



"I was the only one at the seminar, so they gave me all the take-home stuff."

In Japan, critics tended to single out two specific factors as negatively influencing efforts to more rigorously evaluate program outcomes. First, the Liberal Democratic Party (LDP) has been in power in the legislative branch for nearly half a century, with the exception of 1993-1994, and succession of its policy has been supported. Secondly, Japanese public servants tend to stay primarily in a single ministry during their entire careers, even though they have numerous opportunities to work temporarily for other organizations due to personnel exchanges. They are frequently rotated around as generalists. Critics charged that this creates managers who are loyal to their ministry yet lack the in-depth technical expertise in specific program areas necessary for rigorous policy evaluation.

Political Pressure

As the 1990s progressed, increasing political pressure for reform combined with a deteriorating economic situation to force fundamental change. The long-term debt of national and local governments combined amounts to approximately US \$6.3 trillion. Recurring scandals eroded the faith of the public in their public servants. For instance, Japanese citizens were aghast when it was learned that approximately 2,000 hemophiliacs caught the HIV virus through blood transfusions using unheated blood products. Even after the US Centers for Disease Control and Prevention pointed out the danger of unheated blood products in early 1980s, Japanese government officials continued to allow them and did not approve the use of heated blood products.

An emerging cadre of young officials, many with overseas experience and familiarity with the administrative

methods of foreign public and private sector organizations, are eager to participate in rigorous analyses of programs and projects. In March 2001, the Japanese government's Cabinet Secretariat surveyed 126 young officials on how they feel about their jobs. These emerging leaders of tomorrow voiced their support of reform initiatives such as GPEA that would permit them to apply proven data gathering and empirical assessment techniques to improve government operations.

All of these factors combined to influence future reform initiatives.

Enactment of GPEA: The Hashimoto Administrative Reform

Administrative reform was one of the main issues at the general election of the House of Representatives in the fall of 1996. The LDP advocated making half the number of the ministries and agencies, and introducing policy evaluation. After winning the election, the Prime Minister Hashimoto, chairperson of LDP, set up the Administrative Reform Council. Though it was an advisory council to the prime minister, Mr. Hashimoto himself took the position of chairperson of the Council, because he had been interested strongly in administrative reforms. The Hashimoto Administrative Reform was considered the third reform following the Meiji Restoration and the Postwar Reform. The Council discussed restructuring of the ministries and agencies, and later began to cover administrative procedures, civil service reform, etc.

Cabinet Office

In December 1997, the Council announced the final report comprising strengthening of Cabinet functions, restructuring of ministries and agencies, and improving transparency of government. To implement the findings of this report, the administration drafted and revised hundreds of bills. As a result, the Cabinet Office was founded to support the prime minister in January 2001. The number of Cabinet ministries and agencies was reduced to 13 from 23. An Incorporated Administrative Agency was established by separating executing functions from government bodies in April 2001.

The final report of the Administrative Reform Council advocated setting up a policy evaluation system, establishing the Administrative Evaluation Bureau at the MPHPT, and setting up a division in charge of policy evaluation at each ministry. Those ideas were all accomplished in January 2001. The Administrative Evaluation Bureau was established to implement governmentwide policy evaluation and to carry out evaluation of a government policy with a view to ensuring its coherent and/or comprehensive implementation with regard to a policy commonly adopted by the two or more administrative organs. In addition, the Bureau assumed the function of administrative inspection of programs and projects of individual ministries, which had been done by the Management and Coordination Agency. The Board also began to enhance performance-oriented audits from the viewpoint of economy, efficiency, and effectiveness, or "3E" audits.

Before the switch-over to the new government organization in 2001, Prime Minister Mori in July 2000 decided to submit a bill of policy evaluation to the Congress. A bill of policy evaluation drafted by the MPHPT was decided by the Cabinet, and passed in the Congress in June 2001 with all political parties' approval. The House of Representatives inserted an article that the law shall be reviewed, taking progress in the practice of the law into consideration, three years after the law was in force.

The First Report on Governmentwide Policy Evaluation

In July 2003, the MPHPT issued an examination report on policy evaluations for fiscal year 2002 in the Japanese government. Fifteen ministries and agencies reported 10,952 policy evaluations to the MPHPT between April 1, 2002 and May 31, 2003. The report includes 10,793 evaluations. The MPHPT classified policy evaluations of individual ministries as project evaluation (about 10,300), performance evaluation (471), and comprehensive evaluation (29).

The report described the main purpose of project evaluation as providing information useful for adoption, rejection, or modification of administrative activities by conducting evaluation beforehand, and by verifying whether or not they are on track during and after implementation. A typical example of project evaluation was cost benefit analysis conducted before deciding to adopt a public works project. As for performance evaluation, the basic purpose was to provide information on the extent of policy achievements. This was accomplished by setting up the goals to be achieved beforehand in the wide-ranging areas of administration, measuring performance, and evaluating the extent of goal achievements. Finally, comprehensive evaluation's main purpose was 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 determining policy effects. It can be said that comprehensive evaluation corresponds to GAO's program evaluation.

It is important to know that most of the policy evaluations of individual ministries, from the viewpoint of the number, were project evaluations with respect to public works so far. In addition, 471 performance evaluations were sub-classified whether the goal was numerically described or not, and whether the number represented outputs or outcomes.

Ministry Scorecard

As could be expected of any new program initiative, some ministries found it easier to adapt the purpose of GPEA than others. The Ministry of Agriculture, Forestry, and Fisheries and the Ministry of Environment were cited for their effectiveness in developing clear goals and measures to achieve them. The report found that for other ministries to emulate these policy evaluation successes, it was

important that ministry evaluators address two specific challenges. First, to ensure that policy evaluation criteria are properly reflected when drafting policy and formulating budgets, it is imperative to set up in advance a goal to achieve and to then ensure that the achievement can be evaluated empirically. Concrete measures to achieve the goal should be clear. Those measures should be analyzed when the goal is not achieved. Secondly, with respect to evaluation of projects, it is important to expand the assessments of the extent of goal achievements with the goals established beforehand. When the goal is not achieved as expected, the measures to accomplish the goal should be analyzed.

Challenges in the Future

Policy evaluation gradually is evolving in Japanese government operations and the linkage of evaluation and budget is one of the challenges in the future. GPEA's article 4 requires the government to endeavor to make an appropriate use of policy evaluation when it draws up a budget. In June 2003, the Cabinet decided on "Basic Policies for Economic and Fiscal Management and Structural Reform 2003." The document states that improving budget's quality and transparency is important to reform fiscal structure, and that the administration will design a budget formulating process which holds the project accountable for the results of tax revenue by prior goal setting and strict *ex post* evaluation.

Basic Policies

The Basic Policies also describe the new budget formulating process as follows:

- Individual ministries shall draft concrete policy goals. They shall be as quantitative as possible.
- Individual ministries shall make budget requests to the Ministry of Finance, clarifying the relationship between the budget request and policy goals.
- Accomplishment of the goals and effectiveness of implementation shall be evaluated strictly during and after execution, and shall be reflected hereafter in budget formulation.
- Public financial disclosure systems shall be reformed to improve transparency (e.g., introduction of financial disclosure system of corporation type such as accrual basis).

Recent Survey

In September 2003, the MPHPT surveyed the connection of policy evaluation and budget request. There were 1,532 policy evaluations from April to August 2003 and 1,355 (87 percent) of the results of policy evaluations were used in requesting budget to the Finance Ministry in August. Linking program evaluations to budget requests appears to be doing well.

Challenges

Besides the linkage to budget, there are some challenges. Objective and rigorous implementation of policy evaluation and reflection of evaluation results in policy formulation should be assured. Japan has devoted all its energy to institute uniform policy evaluation across the government so far, but it has to work to improve the quality of policy evaluation and the utilization of results of policy evaluation from

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now on. In order to secure objective and rigorous implementation, disclosure is necessary with respect to data, calculation, assumption, and other items necessary for evaluations. Some scholars, however, point out that the results are not released adequately by government ministries. Moreover, improvement of evaluation methods, such as analysis of causal relationship between policy implementation and its outcome, should be studied.

Furthermore, another problem is that the lack of profit-based assessment criteria makes government policy evaluation much more difficult than in the private sector. A think tank researcher criticized that the Japanese public sector is insufficient in evaluation capacity. It is now important to hire, train, and retain government personnel who are familiar with a specific policy field and have skill in policy evaluation.

It is not useful to discuss the reflection of evaluation results in a decision-making process until policy evaluation is implemented objectively and thoroughly. When this is done, the success of GPEA in maximizing the performance of Japanese ministries will be dependent only upon the commitment of the senior political and career leadership. Their continued support will provide Japanese citizens with the responsive, cost-effective government of which they can be justly proud. ■

ACKNOWLEDGMENTS

I owe much gratitude to T.E. Winchell, Sr., who is not only an experienced federal practitioner, but also someone experienced in theoretical analysis. I am also grateful for the insightful advice of Bunzo Hirai and Yutaka Sunayama of the Japanese government.