

Implementation Guidelines for Policy Evaluation of Regulations

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Under the framework of the Government Policy Evaluations Act (Act No. 86 of 2001; hereinafter referred to as the "Evaluations Act") and based on the Basic Guidelines for Implementing Policy Evaluation (hereinafter referred to as the "Basic Guidelines") and the Policy Evaluation Implementation Guidelines (hereinafter referred to as the "Policy Evaluation Guidelines"), these Guidelines clarify standard principles concerning the content and procedures of ex-ante and ex-post evaluations of regulations, with the aim of conducting ex-ante and ex-post evaluations of policies in relation to the enactment, revision or abolition of regulations smoothly and efficiently and promoting the utilization of evaluation results in the process of decision making, thereby contributing to enhancing the quality of regulations and fulfilling the obligation of accountability to the general public.

In light of the progress of initiatives by respective administrative organs and the outcomes of pioneering initiatives in foreign countries, these Guidelines will be reviewed as necessary for the purpose of improving and enhancing policy evaluation of regulations.

I. Upon Evaluation

Regulations restrict the rights and freedom of the people and impose obligations on them for administrative objectives such as maintaining social orders, ensuring safety of life, preserving the environment, and protecting consumers. Therefore, it is important to conduct policy evaluation of regulations and publicize the results thereof, thereby enhancing the quality of regulations and broadly obtaining understanding of the general public, not limited to stakeholders. From the standpoint of administrative organs that impose regulations, there is no need to allocate budgets for having the public comply with regulations. Accordingly, administrative organs tend to be unaware of financial burdens on the members of the public subject to regulations. However, in reality, the society is forced to bear the costs as in the case of budgetary measures.

Therefore, when intending to enact, revise or abolish regulations, administrative organs have to check whether changes in regulations would result in restricting people's rights beyond what is necessary or imposing too many obligations on them. In this context, policy evaluation of regulations is considered to play a significant role.

An ex-ante evaluation of regulations estimates and evaluates effects and burdens that the regulations would bring about. In an evaluation, an analysis is to be made in a manner to contribute to the deliberations concerning the appropriateness of the enactment, revision or abolition of the relevant regulations and their specific details and levels. It is important to ensure that the content of the analysis is shared among the general public and stakeholders as a basis for discussion and that a sufficient amount of data and information is collected in the process of discussion. As viewpoints discussed in the whole process from conceiving of an idea to making a final decision on policies and viewpoints for the deliberations are considered to coincide with each other, efforts should be made to integrate the process of policy discussion and the process of policy evaluation as much as possible from the perspective of enhancing efficiency in policymaking based on evidence and associated clerical work.

Regarding regulations for which a standard evaluation specified in these Guidelines is

practically difficult due to the nature thereof, etc., an evaluation needs to be conducted to the extent possible based on "Basic Matters Related to Study and Acquire Information on the Effects of Policy" (Basic Guidelines I, 3, A) and "Evaluation Methods" (Policy Evaluation Guidelines 3).

Ex-ante evaluations of regulations have so far been conducted almost uniformly in terms of their quantity and depth of analysis, irrespective of the size of their impacts or the degree of social attention. However, for regulations that have significant impacts on society or are socially controversial, it is necessary to make a more detailed analysis by such means as increasing options or expanding the scope of the impacts to be examined. For regulations with fewer decision-making elements, simple evaluations will suffice.

It is thus recommended to conduct well-balanced evaluations with proportionate levels of detail depending on the significance of social, economic, or environmental impacts of newly enacted, revised or abolished regulations. Regarding regulations for which the need for policy evaluation is relatively low, evaluations by simplified methods are to be permitted.

II. Evaluation Methods

1. Evaluation Targets

- (1) Policies that require mandatory ex-ante evaluation are such policies intended to enact, or revise or abolish regulations as stipulated in item (vi) of Article 3 of the Order for Enforcement of the Government Policy Evaluation Act (Cabinet Order No. 323 of 2001).

Accordingly, Regulatory ex-ante Evaluation does not target provisions not regulating the "people," provisions not "restricting rights or imposing obligations," and provisions whose effects are not suitable in nature for Regulatory ex-ante Evaluation. Examples of these provisions are shown below, but other provisions shall be examined, according to the nature of their effects, for whether they should be subject to Regulatory ex-ante Evaluation.

- ① Provisions regulating persons who have different relations with administrative organs from those between the general public and administrative organs
- Provisions applicable to national administrative organs or local governments based on their unique status
 - Provisions applicable only to corporations who have special relations with the State under laws and ordinances different from those between the general public and the State, such as corporations established under special laws and corporations designated by the State as to conduct administrative affairs; for example, provisions applicable only to incorporated administrative agencies, local incorporated administrative agencies, national university corporations, inter-university research institute corporations, public corporations, authorized corporations or designated corporations (including corporations for which designation or any other similar administrative act is not expected but for which their exclusive public services are stipulated) and other similar corporations (for designated corporations, limited to provisions for designation)
 - Provisions applicable only to persons who are to be treated differently from the general public under the Constitution or administrative laws (including any interpretations thereof established in prevailing theories or judicial precedents); for example, provisions applicable only to public officers or ex-public officers, students of schools established by administrative organs or national university corporations, persons confined or detained at correctional or detention institutions, or persons on probation
 - Provisions applicable only to foreigners or foreign corporations
- ② Provisions stipulating crimes and their penalties as a unit (excluding any parts thereof that apparently have been planned and developed by an administrative organ to achieve certain administrative objectives, such as parts where any act falling under the actual

elements of crimes is subject to recommendation or disposition by an administrative organ)

* Only such part of penal provisions as stipulates penalties does not fall under effects restricting the rights of the people or imposing obligations on the people (the same applies to such part of provisions for administrative disposition as stipulates the details of disposition).

- ③ Provisions stipulating equal rules among private citizens in a civil society
 - Provisions of the Civil Code, the commercial transaction law, etc. governing equal relationship among private citizens
 - * It is not equal if obligations are imposed on only either party of a contract or transaction for the protection of consumers or investors.
 - ④ Provisions having no actual effects of restricting the rights of the people or imposing obligations on the people
 - Provisions of obligations to make efforts, not stipulating measures against violation
 - ⑤ Provisions that, in light of normal social conventions, apparently have no administrative objectives
 - Provisions for the collection of fees or charges as compensation for provision of administrative services
 - Provisions for ensuring the proper performance of contracts where the administrative organ is either party
- (2) Based on the Basic Guidelines, efforts shall be made to conduct active and voluntary Regulative ex-ante Evaluation on regulations that do not require mandatory ex-ante evaluation.
 - (3) Ex-post evaluations should be conducted for regulations for which ex-ante evaluations were conducted, based on "Basic Matters Related to the Conduct of Ex-Post Evaluation" (Basic Guidelines I, 5, F (B)).

2. Evaluation Unit

(1) Unit involving a superior law or ordinance and an inferior law or ordinance (vertical unit)

For regulations consisting of provisions of a superior law or ordinance and provisions of an inferior law or ordinance, ex-ante evaluation shall be conducted by setting an appropriate evaluation unit. In evaluating a superior law or ordinance and an inferior law or ordinance together at the same time, individual administrative organs shall decide whether to prepare an evaluation report and its summary (hereinafter referred to as "Evaluation Report, etc.") for each level of law or ordinance or for both levels together.

If an inferior law or ordinance needs to be evaluated for such reason as the actual changes thereof after the collective evaluation of the superior law or ordinance and the inferior law or ordinance, the inferior law or ordinance shall be re-evaluated at the time of the revision thereof.

(2) Unit involving multiple clauses (horizontal unit)

If a regulation involves multiple clauses of a single law or ordinance or clauses of multiple laws or ordinances, evaluation shall be conducted by evaluation units suitable for analysis of the effect-burden relationship in individual cases.

(For reference)

Examples of evaluation units

- ① Evaluating related multiple clauses together

(Clauses stipulating the major part of regulations such as licenses and permits and clauses stipulating cancellation, change, correction order and compliance requirements of incidental licenses and permits)

- ② Evaluating individual clauses
(Clauses ordering individual action or inaction (prohibition), clauses independently stipulating the authority of an administrative organ to order)

3. Utilization of Evaluations in Lifecycle of Regulations

Ex-ante evaluations of regulations should preferably be utilized at each stage of the policymaking process. The whole process from the deliberation to review (revision or abolition) of regulations is to be considered as a lifecycle of regulations, specifically consisting of the stages of ① deliberations, ② consultations, ③ decision and ④ ex-post evaluation. The results of the ex-post evaluation are to serve as the basis for the review of the relevant regulations or the deliberations concerning other similar regulations.

Preferable utilization of evaluations at each stage of the lifecycle of regulations is outlined below.

(1) Stage of deliberating regulations

At the stage of deliberating regulations, that is, when a certain issue has been revealed and some responses are required, it is recommended to utilize the format of an ex-ante evaluation by broadly listing available measures, including non-regulatory means and the option of not making any particular responses, and deliberating the advantages and disadvantages of each of those possible measures.

(2) Stage of seeking consultations

Regulations are generally discussed at council meetings (including sub-committee or section meetings) or panel meetings. However, as elements of an ex-ante evaluation (the appropriateness of non-regulatory approaches, necessity of regulations, alternatives, compliance costs, additional impacts and spillover impacts (impacts on a specific industry or business field, or on SMEs, etc.)) are stated in meeting materials and minutes, although in fragments, using the format of an ex-ante evaluation from the beginning and comparing multiple options is expected to clarify the issues and the differences in opinions and facilitate smooth discussion. Compiling the discussion using the format of an ex-ante evaluation will reveal what knowledge is lacking for what impacts, making it possible to effectively collect information from stakeholders and obtain their consent.

(3) Stage of deciding regulations

If an ex-ante evaluation has been conducted using the relevant format at the stage of deliberating regulations and the stage of seeking consultations, an ex-ante evaluation report can be completed at the stage of making a final decision by adding the content indicated in "Other related matters" mentioned later in 4(5) to the format used for the ex-ante evaluation. There is no need to prepare an ex-ante evaluation report anew (it is recommended to spontaneously prepare the final ex-ante evaluation report regarding the final decision).

When it was difficult to conduct an ex-ante evaluation at the stage of deliberating regulations and the stage of seeking consultations, an ex-ante evaluation is to be conducted at this stage with regard to regulations incorporating the content of deliberations at the preceding two stages and information collected from stakeholders, and an evaluation report should be prepared.

(4) Stage of conducting an ex-post evaluation

An ex-post evaluation is conducted based on the ex-ante evaluation (report). In other words, an ex-post evaluation starts with examining whether there are any gaps regarding major indicators (costs and effects), which served as the key for determining the enactment, revision or abolishment of the relevant regulations, between the estimation at the time of the ex-ante evaluation and the actual implementation, and what brought about such gaps, if any. Therefore, costs, effects, additional impacts and spillover impacts as evaluated in an ex-ante evaluation

need to be stated in an evaluation report as quantitatively as possible so that the report will serve as objective grounds for reviewing the regulations.

4. Content of Basic Evaluations

(1) Purpose, contents and necessity of regulations

A Current status and problems

The current status and problems should be explained concretely in an easy-to-understand manner. For example, explanations should be focused on the current systems and policy structures (introducing related provisions and clarifying the details thereof), causes of the problems, possible inconvenience to be brought about if no measures are taken, and estimated future situations.

A situation expected to arise when the regulations are not enacted, revised or abolished should be set as a baseline for comparison (hereinafter referred to as the "baseline"), and costs and effects should be estimated through the comparison between the baseline and a situation expected to be brought about by enactment, revision or abolishment of the relevant regulations (alternatives should also be compared with the baseline).

B Purpose, contents and necessity of the enactment, revision or abolishment of regulations

In light of A above, the purpose, contents and necessity of the enactment, revision or abolishment of regulations should be explained. First comparing and examining the possibility of means for resolving the problems, including non-regulatory means (such as financial measures by subsidies or policy-based finance, voluntary efforts by businesses, administrative guidance or PR activities and awareness raising activities by the government), and the appropriateness of selecting regulatory means should be indicated. Explanations should be intended to clarify the need for government involvement, the need to increase or decrease: or to abolish government involvement, and the process by which the effects of the regulations emerge. In the case of deregulation, the need for control thereafter should also be explained.

(2) Evaluation of impacts

A Common matters

(i) Evaluation period

An evaluation period needs to be set appropriately for each case in consideration of changes in impacts over time and accuracy in estimation.

(ii) Concrete impacts

Social, economic or environmental impacts highly likely to be brought about by the enactment, revision or abolition of regulations should be listed concretely and as extensively as possible. Additional impacts and spillover impacts should also be included. Who will be affected should be clearly indicated for each impact and how each impact is expected to emerge is to be explained.

(iii) Ascertaining of direct impacts and indirect impacts

Impacts caused by regulations can be divided into direct impacts and indirect impacts, and the former mainly consists of costs and effects.

In the following explanations in these Guidelines, "costs" principally refer to those expressed in monetary value. "Effects" are indicators to show to what extent the relevant regulations solve a certain problem, quantitatively (or qualitatively in some cases). Effects expressed in monetary value are referred to as "benefits." The term "effects (benefits)" is used when referring to effects including both elements

expressed in monetary value and those that are not, but not under the assumption that elements that cannot be expressed in monetary value are also expressed in monetary value.

In order for an objective evaluation, impacts should preferably be expressed quantitatively or in monetary value to the extent possible. If it is impossible, impacts should be explained qualitatively in an easy-to-understand manner.

When the quantification or monetary valuation is difficult at the time of the evaluation due to such reasons as any matters necessary therefor are subject to a subordinate law under the governing law of the relevant regulations (or the bill at the time of the evaluation), it is preferable to clarify the content of such impacts as of the time when the quantification or monetary valuation becomes possible in the process of deliberating the subordinate law thereafter (by the time of seeking public comments under the Administrative Procedure Act (Act No. 88 of 1993); hereinafter referred to as the "public comment period").

Indirect impacts include additional impacts and spillover impacts. Additional impacts refer to impacts other than intended effects, including both desirable and undesirable impacts. Spillover impacts include secondary or tertiary impacts via the market and competitive impacts, such as impacts on employment, regional economies or business operation.

B Ascertaining of direct costs

Out of the impacts ascertained in A above, the impacts in the following categories should be classified as costs and each cost should be estimated while indicating who bears it.

- (i) Costs are roughly divided into two categories by who bear them.

Compliance costs need to be examined sufficiently as the side subject to regulations is most concerned about them. Compliance costs are especially important among the costs associated with regulations but are not shouldered by the government, which imposes regulations. Therefore, it is all the more necessary to provide in-depth clear explanations to the people (companies, organizations and the general public), who are forced to bear such costs due to the relevant regulations. From this perspective, compliance costs should be expressed in monetary value unless there are some special grounds, or at least be quantified. However, accurate estimation is not required but only a rough calculation will suffice when conducting an evaluation. As mentioned above, when the monetary valuation (quantification) is difficult at the time of the evaluation due to such reasons as the scope of the regulation targets and other matters necessary for the monetary valuation (quantification) are subject to a subordinate law under the governing law of the relevant regulations (or the bill at the time of the evaluation), it is strongly recommended to clarify the content of the compliance costs as of the time when the monetary valuation (quantification) becomes possible in the process of deliberating the subordinate law thereafter (by the public comment period).

Administrative costs are important as information when conducting evaluations, enabling people to judge whether government involvement is appropriate and to ascertain costs that will be required continuously. They need to be quantified or expressed in monetary value to the extent possible, but a rough calculation will suffice as in the case of compliance costs.

① Compliance costs

Costs that the people and businesses subject to regulations bear for complying with them, including internal costs incurred by people and businesses (for the introduction and maintenance of relevant equipment, etc.) and time costs for filing

applications with administrative organs (for the preparation and submission of documents, etc.)

② Administrative costs

Costs arising in regulatory authorities, including costs for introducing the relevant regulations (research for institutionalization and facilities and equipment necessary therefor, etc.) and personnel costs and time costs required after the introduction of the regulations (for inspections, monitoring, increase of staff, etc.); The relevant authority (national government, local government, or related juridical person) should also be clearly indicated.

- (ii) When costs are expected to arise at various stages, such as costs required at the initial stage, costs required continuously, or costs to be required sometime in the future, their types and when they will arise need to be clarified respectively for ① and ② of (i) above.

C Ascertaining of direct effects (benefits)

Out of the impacts ascertained in A above, effects (benefits) that will be obtained through the enactment, revision or abolition of the relevant regulations should be presented to beneficiaries and should be estimated as quantitatively as possible. As estimates of direct effects (benefits) are generally less certain than those of compliance costs, the estimated size of effects may be expressed not with a single value but with a certain range of values.

D Ascertaining of additional impacts and spillover impacts

In addition to effects directly intended by the relevant regulations, positive or negative additional impacts that may be caused by changes in people's behavior or business activities due to the regulations should also be listed as extensively as possible and each impact should be estimated quantitatively to the extent possible. Furthermore, spillover impacts via the market in trade and inter-industry relations, such as impacts on a specific region or business field or on SMEs, or impacts on market competition, also need to be estimated to the extent possible. When quantitative estimation is difficult for these impacts, they should preferably be clarified at least qualitatively in advance.

Impacts on competitive situations are to be ascertained by the Japan Fair Trade Commission as separately provided. If the Commission concluded that the relevant regulations may affect competition, such fact needs to be stated in an ex-ante evaluation report of the regulations.

(3) Relations between costs and effects (benefits)

One of the purposes of a regulatory ex-ante evaluation is to clarify whether costs associated with the relevant regulations can be justified by their effects (benefits). There are three means as follows for quantitative justification.

A Cost analysis

An analysis focused on the amount of costs and who will bear them while omitting a detailed analysis of effects (benefits), when effects (benefits) are expected to be almost the same for multiple options or when effects (benefits) are clearly larger than costs

B Cost-effectiveness analysis

An analysis of the relation between costs and effectiveness by estimating costs necessary for achieving certain quantified effects

C Cost-benefit analysis

An analysis of the relation between costs and benefits by estimating costs expressed in monetary value and benefits

(4) Comparison with alternatives

From the perspective of providing information helpful for deliberating proper policy selection and fulfilling the obligation of accountability to the general public, possible alternatives should be presented and a comparison as mentioned (3) above should also be made for them.

In the case of deregulation and when the abolishment of the relevant regulations is supposed to be one of the options, a comparison should basically be made for the abolishment as well.

Alternatives may include means to be employed by another authority, means requiring different administrative actions or procedures for ensuring compliance, and means with different standards or periods, etc. However, effective alternatives may be difficult to conceive of in some cases, depending on the content of the regulations or what are delegated to a subordinate law (these Guidelines do not consider the baseline as one of the alternatives).

Costs and effects (benefits) of alternatives should also be estimated through a comparison with the baseline and comparison results between the relevant option and alternatives should be shown in an easy-to-understand manner.

(5) Other related matters

When an ex-ante evaluation has been conducted at the stage of deliberating regulations and the stage of seeking consultations, and the evaluation results have been utilized in deliberations at council meetings or information collection from stakeholders, the details and the results are to be stated in an evaluation report. When an ex-ante evaluation has not been conducted or the results of the conducted evaluation have not been utilized thereafter, the reasons therefor should preferably be stated as well.

Regarding data and documents used in the evaluation, the outline thereof and information on their locations should be indicated in the evaluation report.

(6) Timing to conduct an ex-post evaluation

The timing to conduct an ex-post evaluation, aiming to judge whether the relevant (enacted or revised) regulations remain appropriate in light of the socioeconomic circumstances, should be stated in an evaluation report. The timing should be decided in accordance with the Regulatory Reform Implementation Plan (Cabinet decision on June 24, 2014). The Plan provides that the review cycle should be set for regulations for which there are no legal provisions concerning review (provisions requiring a review of the regulations after the lapse of a certain period of time) and that the review cycle should not be longer than five years.

When conducting an ex-post evaluation, it is necessary to clarify indicators for the purpose of appropriately ascertaining costs, effects (benefits) and indirect impacts. It is also important to periodically ascertain (monitor) the actual status of costs, effects (benefits) and indirect impacts, and any plan for monitoring should preferably be explained in the evaluation report.

When an ex-ante evaluation of regulations has concluded that the relevant regulations may affect competition, the Japan Fair Trade Commission needs to set the indicators for ascertaining their impacts on competition in advance, as provided separately.

5. Simplified Evaluation Methods

In general, policies pertaining to regulations with fewer decision-making elements may be evaluated by simplified methods.

More specifically, simplified evaluation methods may be applied to policies pertaining to regulations satisfying the following requirements.

- ① Costs upon introducing the regulations are small.

Compliance costs are estimated to be below 1 billion yen per year.^(*)

- * In the case of regulations requiring a certain amount of capital investment, the total amount centered on the investment amount for the initial fiscal year is to be taken into account. In the case of regulations not requiring capital investment in the initial stage, the total amount of maintenance costs of the equipment for around ten years is to be referred to.
- ② The regulations are easing measures whose additional impacts can be ignored.
- Regulations whose additional impacts are estimated to be sufficiently small
 - Regulations for which administrative monitoring is considered sufficiently for reducing additional impacts
- However, if any significant increase in administrative costs is expected, it is recommended to estimate the administrative costs as quantitatively as possible in the simplified evaluation.
- ③ The regulations are introduced as a result of ratification of an international treaty, leaving little discretion to the government of Japan.
- The regulations are introduced for domestically enforcing an international treaty that the government of Japan has ratified. They require autonomous arrangements, leaving little discretion to the government of Japan as a ratifier.
- ④ The regulations are introduced under a subordinate law based on a domestic Act, leaving little discretion to the relevant regulatory authority.
- The regulations have been decided to be introduced under an Act of Japan, but specific requirements are to be specified by Cabinet Order, requiring autonomous arrangements and leaving little discretion to the relevant regulatory authority.
- ⑤ The regulations are introduced based on scientific knowledge, leaving little administrative discretion.
- The regulations are introduced based on knowledge of researchers or experts, experimental outcomes or other scientific knowledge, leaving little administrative discretion regarding the content or degrees, etc. thereof.
- However, simplified evaluation methods should not be applied to regulations whose introduction may cause additional impacts (loss of significant effects (benefits), changes (substitutions) of significant actions, etc.).^(*)
- * For example, possible cases include those where regulations on a certain substance will result in prohibition of effective use (such as for medical purposes) of the substance or where a substitute for a certain substance is highly likely to have different impacts.
- ⑥ The regulations are introduced in an emergency due to some grounds.
- When there are reasonable grounds for being unable to spare time for an ex-ante evaluation, a simplified evaluation is to be conducted as emergency measures to fulfill the minimum accountability. However, a detailed ex-ante evaluation that should have originally been conducted is required within a certain period of time (after the lapse of around three to six months).
- ⑦ The regulation targets and scope cannot be estimated or identified at the time of introducing the regulations.
- Regulations introduced in preparation for an emergency, which are to become effective upon a disaster, etc. and for which the applicability cannot be estimated in advance and a sufficient ex-ante evaluation is difficult
 - Regulations such as those intended to ensure proper transactions for the purpose of protecting consumers and traders, for which the total number of people involving in illegal or unlawful transactions cannot be ascertained in advance upon their introduction

6. Content of Simplified Evaluations

(1) Purpose, contents and necessity of regulations

A Current status and problems

Explanations should be given in reference to "4. Content of Basic Evaluations, (1) A - Current status and problems."

B Purpose, contents and necessity of the enactment, revision or abolishment of regulations

Explanations should be given in reference to "4. Content of Basic Evaluations, (1) B - Purpose, contents and necessity of the enactment, revision or abolishment of regulations."

(2) Evaluation of impacts

An evaluation should be conducted in reference to "4. Content of Basic Evaluations, (2) A - Common matters, B - Ascertaining of direct costs, and D - Ascertaining of additional impacts and spillover impacts."

(3) Other related matters

An evaluation should be conducted in reference to "4. Content of Basic Evaluations, (5) Other related matters."

(4) Timing to conduct an ex-post evaluation

An evaluation should be conducted in reference to "4. Content of Basic Evaluations, (6) Timing to conduct an ex-post examination."

7. Implementation of Ex-post Evaluations

(1) Necessity of ex-post evaluations

Regarding ex-post evaluations, the Implementation Guidelines for Ex-ante Evaluation of Regulations prior to the revision merely stated in the part subtitled "(6) Time or Conditions for Review" that an evaluation report should contain the time or conditions for reviewing whether the relevant (enacted or revised) regulations remain appropriate in light of the socioeconomic circumstances. The remaining matters concerning ex-post evaluations were all left to the autonomy of respective ministries and agencies.

However, constant review by respective ministries and agencies of regulations under their jurisdiction may lead to the people's trust in administrative activities and is very significant. Verifying whether the necessity of the relevant regulations has remained unchanged over a certain period of time since their introduction, whether effects expected upon introduction have been achieved, whether costs were not underestimated or overestimated, and whether any unexpected impacts have emerged is important for formulating a mechanism for regulation evaluations throughout their lifecycles.

(2) Utilization of ex-ante evaluations

In order to compare and verify the estimated costs and effects (benefits) stated in an ex-ante evaluation report and the actual costs and effects (benefits) ascertained through an ex-post evaluation, the ex-ante evaluation report should be attached to an ex-post evaluation report.

When an ex-post evaluation is conducted without using the results of an ex-ante evaluation due to such reasons as quantitative evaluation results not being available, it is necessary to set the baseline, that is, the situation estimated as of the time of the ex-post evaluation under the assumption that the relevant regulations had not been introduced.

(3) Setting of indicators

Irrespective of whether the results of an ex-ante evaluation are indicated quantitatively or only qualitatively in an evaluation report, appropriate indicators need to have been set in advance in order to check ex-post facto whether intended effects (benefits) have been actually

achieved. Setting appropriate indicators in advance is for preventing improper verification (such as conducting an ex-post evaluation by intentionally collecting only convenient data), and is necessary because some regulations, depending on the content thereof, may newly require monitoring of the situation, including any unexpected additional negative impacts, during the period from their introduction to an ex-post evaluation.

(4) Matters to be ascertained

As mentioned in (3) above, when setting appropriate indicators in advance and ascertaining costs, effects (benefits) and indirect impacts, it is indispensable to first extract various social, economic or environmental impacts of the relevant regulations. Information provision by stakeholders is one of the helpful means for this purpose. Objective statistical data should naturally be utilized for ascertaining impacts, but it is preferable to fully utilize information provided by stakeholders, who are directly affected, to understand actual impacts brought about by the regulations so as not to overlook impacts that are not necessarily revealed by objective data. If any positive or negative impacts that were not intended at the time of establishing the regulations are found, such impacts must be clearly stated in the evaluation report.

When there have been any significant changes in socioeconomic circumstances after the introduction or easing of regulations, it is recommended to separately ascertain the effects (benefits) brought about by the introduction (easing) of the relevant regulations and those brought about by other external factors, in consideration of the baseline (hypothetical circumstances that would emerge if the relevant regulations had not been introduced or eased).

Among various impacts, compliance costs, for which a causal relationship with the introduction of regulations is relatively easy to ascertain, should be expressed in monetary value unless there are any special grounds or must at least be quantified.

(5) Utilization of evaluation results

When there are any gaps between information obtained through an ex-post evaluation and information at the time of an ex-ante evaluation, it is preferable to consider the causes of those gaps and utilize the consideration results as grounds for judging the appropriateness of the revision or abolition of the relevant regulations. In this case, the existence of gaps is not an issue. It is more important to properly verify the causes of the gaps. Additionally, ascertained causes that can be generalized should also be included in the guidelines and manuals.

It is also recommended to seek public comments for ex-post evaluations on a voluntary basis from the perspective of confirming that there are no significant oversights of impacts to be ascertained in the evaluations.

8. Matters to be Stated in Evaluation Reports

(1) Matters to be stated in reports of basic evaluations

The following are the significant matters to be ascertained in an ex-ante evaluation of regulations and should be stated in the evaluation report:

- ① Purpose, contents and necessity of the regulations
- ② Direct costs
- ③ Direct effects (benefits)
- ④ Additional impacts and spillover impacts
- ⑤ Relations between costs and effects (benefits)
- ⑥ Comparison with alternatives
- ⑦ Other related matters
- ⑧ Timing to conduct an ex-post evaluation, etc.

For ①, the baseline for the current status and problems, which serve as a premise for the necessity of the regulations, should be clarified using statistical data, etc.

(2) Matters to be stated in reports of simplified evaluations

The following are the significant matters to be ascertained in a simplified evaluation of regulations and should be stated in the evaluation report:

- ① Requirements satisfied for conducting a simplified ex-ante evaluation of regulations
- ② Purpose, contents and necessity of the regulations
- ③ Direct costs
- ④ Additional impacts and spillover impacts
- ⑤ Other related matters
- ⑥ Timing to conduct an ex-post evaluation, etc.

(3) Matters to be stated in reports of ex-post evaluations of regulations

The following are the significant matters to be ascertained in an ex-post evaluation of regulations and should be stated in the evaluation report:

- ① Comparison with the assumption at the time of the ex-ante evaluation
- ② Costs, effects (benefits) and indirect impacts
- ③ Consideration

(4) Matters to be stated in reports of ex-post evaluations of regulations for which simplified ex-ante evaluations were conducted

The following are the significant matters to be ascertained in an ex-post evaluation of regulations for which a simplified ex-ante evaluation was conducted and should be stated in the evaluation report:

- ① Comparison with the assumption at the time of the ex-ante evaluation
- ② Costs and indirect impacts
- ③ Consideration

9. Other Matters to be Noted

(1) Measures for uncertainties, etc.

An ex-ante evaluation, which is based on the forecast of future incidents, generally involves uncertainties. Levels of uncertainties in estimates need to be explained with a certain range of values (setting of the upper and lower limits, etc.). Furthermore, even in the case where data for analysis through quantification or monetary valuation are not partially available, efforts should be made to quantify uncertainties by setting certain presuppositions to make explanations.

(2) Collaboration between evaluation functions and legislation functions

When intending to enact, revise or abolish regulations, effective collaboration between functions to conduct evaluations and functions to formulate laws and regulations is indispensable in respective administrative organs. Therefore, departments responsible for policy evaluation, departments responsible for policies, departments responsible for legislation, etc. in respective administrative organs need to collaborate with each other to enhance the quality of regulations.

(3) Time to publicize evaluation reports, etc.

When any regulations are enacted, revised or abolished under an Act, the ex-ante evaluation report must be publicized by the time the bill is decided at a Cabinet meeting, at the latest. When the enactment, revision or abolishment is based on a Cabinet Order or other subordinate law, the ex-ante evaluation report must be publicized by the public comment period (or for regulations for which the public comment system is not applicable, by the time of the Cabinet

decision or the enactment). In this case, the evaluation report should be publicized as a related material for the draft of the order, etc. (regulations), for which public comments are sought, on the e-government website (www.e-gov.go.jp), in principle. When the content of the ex-ante report was altered based on posted opinions, the report after the alteration needs to be publicized anew.

If it is difficult to publicize an ex-ante evaluation report by the above times due to special grounds, such as the need to maintain confidentiality, the report should be publicized as soon as possible by the publication of the regulations (in the official gazette, etc.). However, when an administrative organ does not publicize a report at the standard timing as specified in these Guidelines, the organ should inevitably assume the accountability as the entity having conducted the evaluation.

With regard to regulations that are to be enacted, revised or abolished based on international commitment under treaties, etc., it is preferable that an ex-ante evaluation report is publicized, together with related domestic laws, by the time the relevant international commitment that requires a Diet approval is submitted to the Diet or by the time the relevant international commitment that does not require a Diet approval is signed. However, when there is a need to enact, revise or abolish any domestic laws in association with the relevant regulations, an ex-ante evaluation report should be publicized in accordance with the principle mentioned above, at the latest.

An ex-post evaluation report should be publicized promptly after its preparation based on Article 10, paragraph (2) of the Evaluations Act.

Regulatory ex-ante Evaluation Report (Summary)

Report Form

Name of policy			
Department/bureau in charge	○○ Division, ○○ Bureau, ○○ Ministry △△ Division, △△ Bureau, △△ Ministry	Tel: 03-****-****	e-mail: *****@*****.go.jp
Date of evaluation	(Month) (Day), (Year)	Tel: 03-****-****	e-mail: *****@*****.go.jp
Purpose, contents and necessity of regulations			
	Name of laws and ordinances, and related clauses		
Contemplated alternatives	Alternative 1:		
	~~~~~ Alternative ○:		
* If there are more than one alternative, change this table as necessary.			
Costs of regulations	Cost elements	Alternative 1	Alternative ○
	(Compliance costs)		
	(Administrative costs)		
	(Other social costs)		
Benefits of regulations	Benefit elements	Alternative 1	Alternative ○
Results of policy evaluation (such as analysis of cost-benefit relationship)			
View of experts and other related matters			
Time or conditions for review			
Remarks			