

Annual Report on Policy Evaluation in FY2007 (Summary)

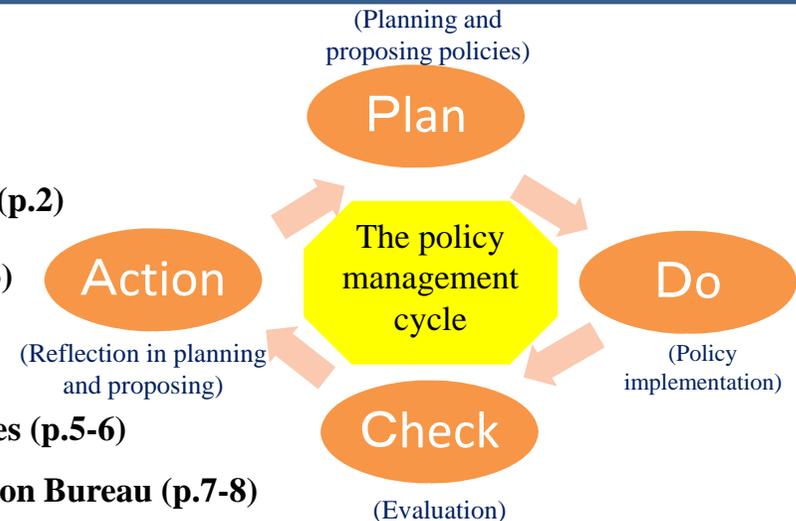
- **“The Report on the status of Policy Evaluation, etc. and how the results have been reflected in policies” is submitted to the Diet every year under Article 19 of the GPEA. * This is the sixth such Report.**

* Government Policy Evaluation Act (Law No. 86 of 2001)

- **“Promoting the evaluation of subjects in important fields” and “New obligation for ex-ante evaluation of regulations” are included in this year’s Report for the first time.**

Topics of Policy Evaluation in FY2007

- ◎ Promoting the evaluation of subjects in important fields(p.2)
- ◎ New obligation for ex-ante evaluation of regulations (p.3)
- Fresh initiatives by the various Ministries (p.4)
- Reflection of the results of policy evaluation by Ministries (p.5-6)
- Evaluation implemented by the Administrative Evaluation Bureau (p.7-8)



Promoting the evaluation of subjects in important fields

Framework of evaluation – Implementation based on “*Economic and Fiscal Reform 2007’ Basic Policies*” (approved by the Cabinet on June 19th, 2007) –

To make use of the evaluation results and reflect them appropriately in national policies such as increasing budget efficiency.

- ① The Minister of Internal Affairs and Communications, at the end of each year, consult the Council on Economic and Fiscal Policy (CEFP) on the selection of subjects in important fields, etc. based on deliberation by the Commission on Policy Evaluation and Evaluation of Incorporated Administrative Agencies.
- ② **the CEFP will present Subjects in Important Fields for Policy Evaluation, etc.**
- ③ The various Ministries conduct evaluation based on this presentation (the Minister of Internal Affairs and Communications promote the implementation of evaluation).

Subjects in important fields– presented by the Council on Economic and Fiscal Policy (CEFP) on November 26th, 2007 –

1 In connection with measures to cope with the declining number of children,

- ① System of childcare leave
【MHLW】
- ② Childcare support services
【MEXT, MHLW】
- ③ Efforts aimed at achieving a work-life balance
【Cabinet Office, MHLW】

**2 Measures for employment of young people
【MEXT, MHLW, METI】**

**3 Farmland policy
【MAFF】**

The relevant Ministries will conduct evaluation from FY2008 onwards

New obligation for ex-ante evaluation of regulations

When establishing or abolishing regulations, the effect and financial burden thereof shall be subjected to ex-ante evaluation, and the results made public.

➔ Partial Amendment of the Cabinet Order for Enforcement of the GPEA *, March 30th, 2007 (Cabinet Decision), effective from October 1st, 2007

* Cabinet Order for Enforcement of the Government Policy Evaluation Act (Cabinet Order No. 323 of 2001)

➔ Since the enforcement of the Cabinet Order, 10 Ministries had implemented 116 cases by the end of March 2008.

Areas subject to mandatory ex-ante evaluation (Article 3 of the Cabinet Order for Enforcement of the GPEA)

R&D

Public works

ODA

Regulation

Case study: Introduction of Maintenance System on Consumer Products for long-term use (METI)

Written evaluation published in October 2007

Consumer Product Safety Law (promulgated November 21st, 2007, to be enforced from April 1, 2009)

Purpose of regulation

For products that are difficult for the consumer to maintain and are thought to have high probability of serious accidents due to age degradation (instantaneous gas water heaters, oil-burning warm air heater(forced flue type), electric bathroom heater with a function of ventilation and drying, etc.), a system requiring manufacturers and importers to provide appropriate maintenance information to consumers and to notify necessity of inspection, among others (the Maintenance System on Consumer Products for long-term use) will be introduced, and steps will be taken to prevent product accidents due to age degradation after market shipment.

Content of the amendment

- Proposed amendment: Maintenance System on Consumer Products for long-term use
 - Alternative proposal ① Regulations making consumers responsible for inspection
 - Alternative proposal ② Promotion of independent inspection by private operators

Anticipated benefits

Reduction in the number of accidents due to age degradation of specified maintenance products arising in five years (currently 135 cases)

- Cases arising – Proposed amendment 30 cases (reduced by 105 cases)
- Cases arising – Alternative proposal ① 0 cases (reduced by 135 cases)
- Cases arising – Alternative proposal ② 128 cases (reduced by 7 cases)

Anticipated costs

	<Compliance cost>	<Administration cost>
○ Proposed amendment	¥7.3 billion (Cost of businesses providing information, etc.)	¥200 million (Cost of gathering product accident information, etc.)
○ Alternative proposal ①	¥94.2 billion (Cost of mandatory periodic checks for consumers)	¥8.8 billion (Cost of consumer registration management, etc.)
○ Alternative proposal ②	¥900 million (Cost of businesses' PR activity, etc.)	None in particular

(Note) Figures used in this evaluation are hypothetical figures for calculation purposes.

Results of policy evaluation

- Proposed amendment: **Of all the options, the most suitable in terms of both the number of accidents cases that can be prevented and the costs incurred per accident.**
- Alternative proposal ① **The cost per case that can be prevented in advance is excessive, and is inappropriate in terms of cost-benefit for society as a whole.**
- Alternative proposal ② **Although the cost incurred is small, the number accident that can be prevented in advance is excessively small, and there is no anticipated effect of preventing accident in advance, which is the purpose of this measure.**

“Regulation” newly added to the three categories in which ex-ante evaluation was already mandatory

Fresh initiatives by the various Ministries

- ① **Timing of evaluation, etc. was changed to enable the evaluation results to be incorporated more accurately**

【Cabinet Office, MEXT】



Example: MEXT

The timing of evaluation was brought forward by about one month* to ensure that the evaluation results are reflect more accurately in budget requests, etc.

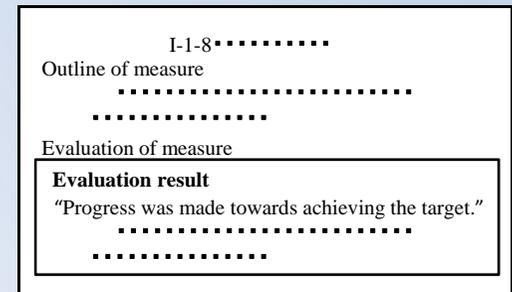
* FY2006 mid-June – early August
↓
FY2007 Late May – Late June

- ② **Details given in written evaluations were improved to make evaluation results and other information easier to understand.**

【MOF, MOFA, MOF, MAFF】

Example:MOFA

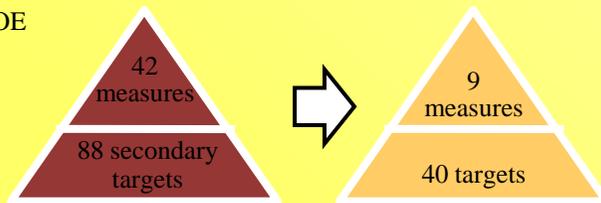
The evaluation result is placed on the top page so that it can be seen at a glance.



- ③ **Policy system was revised to strengthen linkage between policy evaluation and budgets/settlement**

【MHLW, MLIT, MOE, MOD】

Example:MOE



* In all Ministries, units used in policy evaluation have been matched to units (headings and items) used in budgets from the FY2008 budget onwards.

- ④ **New guideline was produced for more accurate evaluation**

【METI】

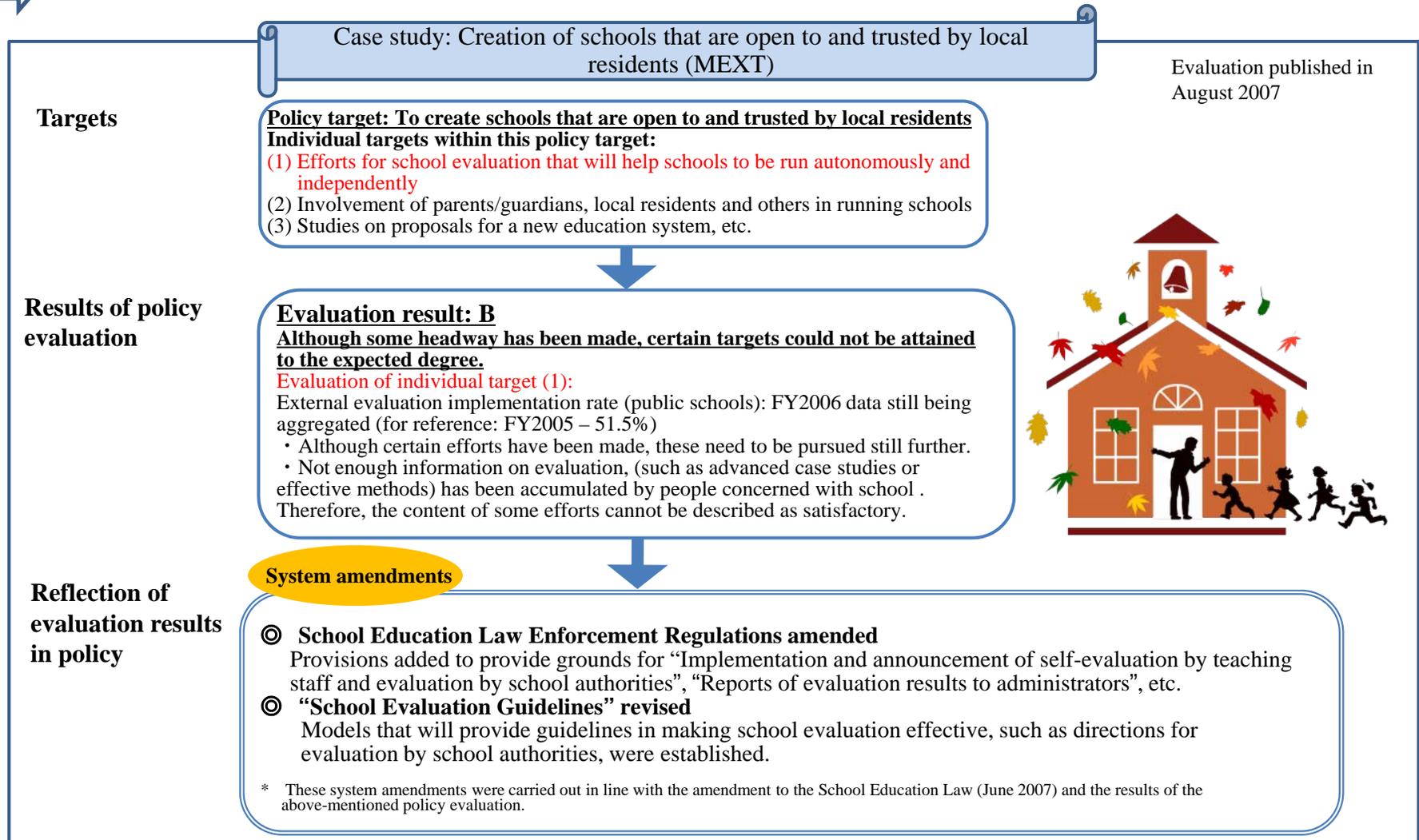
Created its own “Guideline for reflecting METI policy evaluation on ex-ante evaluation concerning regulations”



Reflection of the results of Policy Evaluation

① General policies (policies of the various Ministries other than those on public works, etc.) subjected to evaluation

➡ Of these, 47.7% involved improvements and revisions (265 out of 555 cases)



② Public works, etc.: Unstarted /Unfinished public works, etc. *subjected to evaluation

* Public works and other projects that have not been started five years after project adoption, or have not been completed after ten years.



A total of 13 projects by four Ministries, costing a total of 62.86 billion yen (based on total project costs, etc.), have been suspended or cancelled.

(Six years from FY2002 to FY2007: cumulative total of total project costs, etc. – about 3.6 trillion yen)

○ **MOFA**
(1 project, limit of available funding : ¥6.02 billion)

- Wind power generation construction plan (1)

○ **MHLW**
(3 projects, total project costs : ¥18.56 billion)

- Projects for water supply source development and other facility improvement (3)

○ **MAFF**
(4 projects, total project costs : ¥5.87 billion)

- Crop land zone comprehensive development project (1)
- Agriculture, forestry and fisheries gasoline tax funding alternative farm road development project (1)
- Farm village drainage project (1)
- Farmland disaster prevention project (1)

○ **MLIT**
(5 projects, total project costs : ¥32.41 billion)

- River project (1)
- Dam projects (2)
- Public housing development project, etc. (1)
- Housing district ground development project (1)

Evaluation by the Administrative Evaluation Bureau, MIC

① Evaluation to secure coherence and/or comprehensiveness

Implementation of evaluation

- ❑ August 2007: Evaluation results concerning “Policy evaluation on recycling measures” compiled, views notified to all Ministries and those publicly announced.
- ❑ January 2008: Evaluation results concerning “Policy evaluation on PFI projects” compiled, recommendations made to Cabinet Office and those publicly announced.
- ❑ As of March 31st, 2008, evaluation underway on four themes (“Promoting natural regeneration” *, “Creating the world’s most advanced ‘low-emissions vehicle’ society”, “Preventing violence by spouses, etc.” and “Improving the tourism environment for foreign visitors”).

* “Promoting natural regeneration” was recommended and publicly announced on April 22nd, 2008.

Reflection of evaluation results

- ❑ Themes on which evaluation results were notified in FY2006

Policy evaluation on measures against juvenile delinquency



Incorporation of evaluation results in policies by relevant administrative organs

Based on the evaluation results, counselors were appointed to public elementary and junior high schools and a system for offering educational counseling to pupils was developed, while MOJ liaised with MHLW to implement an employment support project for the rehabilitation of juvenile delinquents, etc. and other measures against delinquency by juveniles were promoted.

- ❑ Themes on which evaluation results were notified in FY2005

Policy evaluation on conservation of the atmospheric environment in large city areas



Incorporation of evaluation results in policies by relevant administrative organs

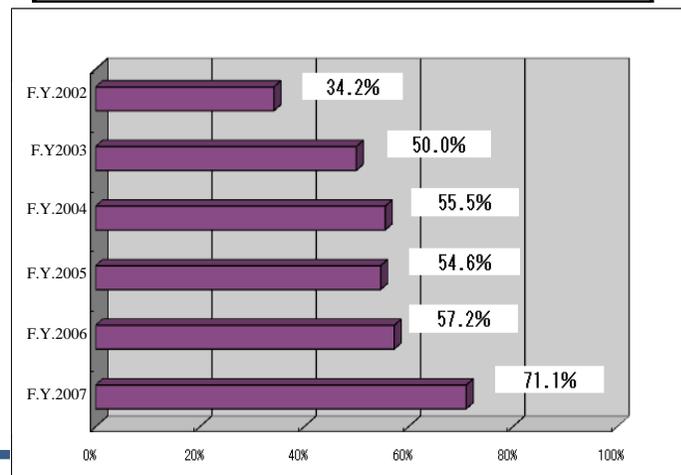
Based on the evaluation results, Cabinet Orders and ministerial ordinances related to the Amended Automobile NOx/PM Law (enacted May 2007), which introduced localized pollution countermeasures and measures against high-pollution vehicles, were amended. (among others)

② Evaluation activities designed to guarantee the objectivity and rigor of policy evaluation

Checks on methods of policy evaluation

- **Checks have been made to ascertain whether** policy evaluation implemented by the various Ministries **attains the level required of evaluation**, and the following **future tasks have been identified**.
 - ☞ The performance evaluation method: Identification of targets by numerical quantification, etc.
Ex-ante evaluation of regulations: Enhancement of cost and benefit analysis, appropriate implementation of reviews.
(New checks added following the start of mandatory evaluation)
(among others)

Proportion of evaluation in which targets are identified by numerical quantification, etc. (all Ministries)



Checks on the content of policy evaluation

- **When doubts arise as to the appropriateness** of policy evaluation implemented by the various Ministries, **checks are also made as to the content of the evaluation**
- Facts ascertained and organized in 47 cases in which doubts arose (13 Ministries)
 - ☞ For those in which areas for improvement were identified, **it has been pointed out that (1) evaluation should be repeated, (2) appropriate indicators should be established, and (3) written evaluations should be corrected, among other measures.**
- **As a new feature this time**, general issues discovered in the results of this fiscal year's efforts have been arranged, **and matters that should be taken into account in future evaluation** concerning these issues **have been indicated**.
 - ☞ **Public works:** It is important to take into account whether or not demand forecasts, etc., are realistic in comparison to past performance and other factors.
General policies: When the indicators merely highlight the situation of policy execution, it should be taken into account whether or not the impact on the lives of the citizenry and social economy can be ascertained, either directly or indirectly.
(among others)

Reference

Status of policy evaluation by Ministries

- ➔ Cases of evaluation implemented in FY2007: 3,709 (FY2006: 3,940)
- ➔ All policy evaluations implemented by Ministries are announced on the websites of the respective Ministries

[] = previous fiscal year

Policies subject to evaluation		Ex-ante evaluation: 1,255 cases [1,251 cases]	Ex-post evaluation: 2,454 cases [2,689 cases]
General policies	Policies / measures	<div style="border: 1px solid black; padding: 5px; width: fit-content;">Project evaluation before decision of policy 233 cases [269 cases (Note 2)]</div> <p style="text-align: center; margin-top: 20px;">233 cases [269 cases]</p>	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;">Individual continued project evaluation 49 cases [108 cases] (Note 3)</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;">Performance evaluation 392 cases [492 cases]</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;">Comprehensive evaluation 114 cases [93 cases]</div> <p style="text-align: center; margin-top: 20px;">545 cases [684 cases]</p>
	Administration Projects		
Policy in four specific areas (Note 1)	Policies / measures	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;">Public works evaluation 686 cases [802 cases]</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;">R&D evaluation 158 cases [145 cases]</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;">ODA evaluation 40 cases [35 cases]</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;">Evaluation of regulations 138 cases (Note 2)</div> <p style="text-align: center; margin-top: 20px;">1,022 cases [982 cases]</p>	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;">Unstarted / Unfinished project evaluation 931 cases [1,141 cases]</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;">Project evaluation after completion / termination 968 cases [855 cases]</div> <p style="text-align: center; margin-top: 20px;">1,909 cases [2,005 cases]</p>
	Administration Projects		

(Notes)

- “Policy in four specific areas” refers to R&D, public works, official development assistance (ODA) and regulations, for which ex-ante evaluation is mandatory under the Government Policy Evaluation Act (GPEA).
- Ex-ante evaluation of regulations became mandatory on October 1st, 2007. Meanwhile, “Evaluation of regulations” in the diagram above and “Project evaluation before policy decision” conducted in FY2006 also include trial evaluation targeting regulations (FY2007: 22 cases).
- “Individual continued project evaluation” include evaluation on policy in the four specific areas (FY2007: 10 cases, FY2006: 9 cases).