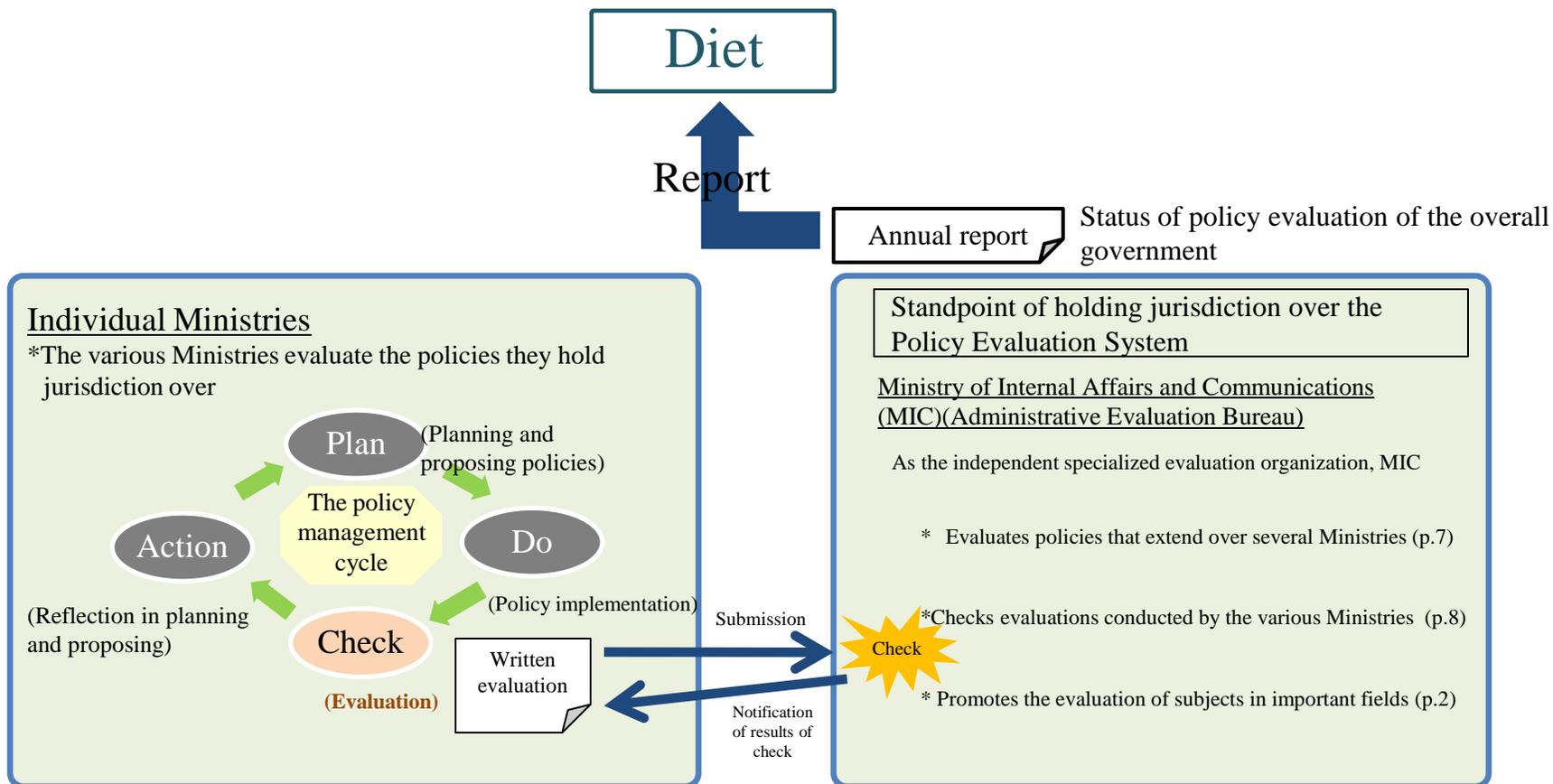


Annual Report on Policy Evaluation in FY2008 (Summary)



“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*.

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

Status of policy evaluation/reflection of results by Ministries

Number of Policy Evaluations

- **7,088 main cases of policy evaluations were conducted** by the various Ministries in FY2008 (Previous fiscal year: 3,709 cases)
 - * The reason why this number increased significantly as compared with the previous fiscal year is that the number of re-evaluations (*) conducted by MLIT on a voluntary basis increased.
 - By ministry, MLIT⁽¹⁾ implemented the most evaluations (4,847), followed by MHLW⁽²⁾ (770), MAFF⁽³⁾ (761)
(previous FY: 1,497) (previous FY: 719) (previous FY: 781)
 - Ex-ante evaluation (evaluation conducted before policy decision): 1,546; ex-post evaluation (evaluation conducted after policy decision): 5,542
- (*) Refers to an evaluation of a project for which a certain amount of time (5 or 10 years, depending on the type of project) has passed after its original re-evaluation (evaluation of public works and other projects that have not been started five years after project adoption, or have not been completed after ten years); there are many projects for which FY2008 marks the timing of re-evaluation

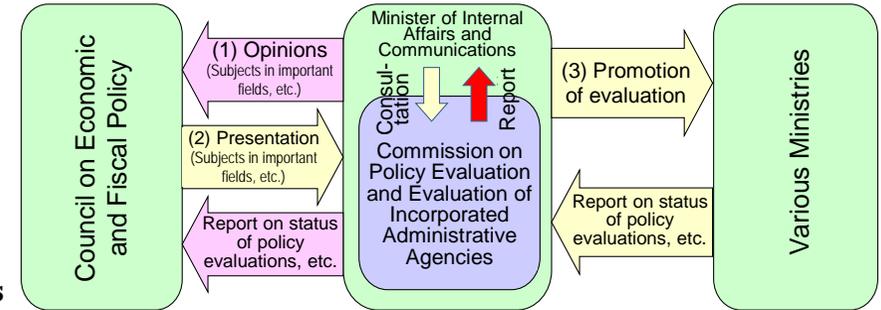
Reflection of results of policy evaluation

- General policies (policies of the various Ministries other than those on public works, etc.)
 - ➔ All reflected in budget requests and policies; of general policies, **38.6% involved improvements and revisions to policies** (previous fiscal year: 47.7%) (162 out of 420 cases)
- Public works, etc. (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 22 projects** by four Ministries, **costing a total of approximately 281.6 billion yen** (based on total project costs, etc.) **have been suspended or cancelled** <previous fiscal year: 13 projects, approx. 62.9 billion yen>
- Suspend or cancel the 227 public works, etc. costing a total of approximately 3.9 trillion yen over the seven years since the enforcement of the GPEA (FY2002)

Topics in FY2008

(1) Subjects in important fields for policy evaluation

●Based on “*Economic and Fiscal Reform 2007 ‘Basic Policies’*” (approved by the Cabinet on June 19th, 2007), **evaluation of “subjects in important fields for policy evaluation”** was promoted since FY 2007 based on coordination among the Council on Economic and Fiscal Policy (CEFP), Ministry of Internal Affairs and Communications, and various ministries



[Subjects in important fields in FY2007]

Upon conducting deliberations and receiving a report from the Commission on Policy Evaluation and Evaluation of Incorporated Administrative Agencies, the Minister of Internal Affairs and Communications reported on the evaluation results and associated issues to the CEFP on November 28th, 2008. After relevant Ministries conducted evaluations, etc. based on the issues, follow-ups were to be made by MIC.

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

(1) System of childcare leave (MHLW)

Issues: The overall number of women who wish to continue work but are forced to retire is unknown, and there is insufficient comprehension of the level of satisfaction with this situation, etc.

(2) Efforts aimed at achieving a work-life balance (MHLW, Cabinet Office)

Issues: In working towards reducing long working hours, there are not enough reviews on separate and broad policy instruments other than grant funding, etc.

(3) Childcare support services (MHLW, MEXT⁽⁴⁾)

Issues: There is insufficient comprehension of latent needs including of regions where various childcare service have not yet been implemented as well as of the level of satisfaction with this needs, etc.

2 Measures for employment of young people (MHLW, MEXT, METI⁽⁵⁾)

Issues: There are insufficient discoveries of effective measures that promote more *freeters* to settle at a workplace, etc.

[Subjects in important fields in FY2008]

Currently being implemented

1 From among earthquake countermeasures, measures related to making buildings earthquake-resistant and to earthquake insurance (MLIT, MOF⁽⁶⁾)

[Aim of evaluation] In addition to smoothly reconstructing the lives of victims, clarify the factors causing no progress to be made by households and companies with dissemination of making buildings earthquake resistant and earthquake insurance from the perspective of reducing seismic damages and costs burdened by overall society, and contribute to dissemination of such measures.

2 Measures to secure doctors (MHLW, MEXT)

[Aim of evaluation] Conduct reviews, etc. of measures for adjusting the number of doctors in training, and for rectifying the uneven distribution of doctors between regions and different diagnosis and treatment departments from the perspective of securing an appropriate number of doctors with a focus on rectifying the uneven distribution of doctors between regions and different diagnosis and treatment departments, and to use such reviews to further study ideal measures for securing doctors in the future.

(4) Ministry of Education, Culture, Sports, Science and Technology (5) Ministry of Economy, Trade and Industry (6) Ministry of Finance

(2) Ex-ante evaluation of regulations

[Status of approaches]

- In addition to the 3 categories of R&D, public works, and official development assistance, for which ex-ante evaluation had been mandatory since the past, ex-ante evaluation of regulations was made mandatory in October 2007
- When establishing or abolishing regulations, the effect and financial burden thereof shall be subjected to ex-ante evaluation, and the results are made public
- The number of evaluations in FY2008 was 157 cases among 12 Ministries (total after being made mandatory is 273 cases)

[Future issues]

- Clarify an appropriate period as the period subject to analysis that is adapted to each case.
- Calculate costs and benefits based on quantification and on monetary value as much as possible, and analyze both in a manner that is as quantified as possible.
- Clarify each of the classifications for (1) compliance cost, (2) administration cost, and (3) other social costs, and conduct analyses.
- In cases where there are assumable alternatives, compare them with each other through analyzing the cost-benefit relationship.
- Appropriately implement reviews related to ex-ante evaluation of regulations.
- In cases where there is uncertainty, provide explanations on the extent of uncertainty of the estimated values.

[From “Results of Checking Policy Evaluations” (Administrative Evaluation Bureau, Ministry of Internal Affairs and Communications; March 2009)]

(3) Suspension/cancellation of public works, etc.

- In FY2008, upon re-evaluating 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 22 projects by four Ministries, costing a total of approximately 281.6 billion yen (based on total project costs, etc.) have been suspended or cancelled. (previous fiscal year: total of 13 projects, approximately 62.9 billion yen)

- Suspension or cancellation of 227 public works or other projects costing approximately 3.9 trillion yen over the 7 years since enforcement of GPEA (FY2002)

Ministry name	Number of projects	Total project costs, etc.	Name of project (number of projects)
MHLW	3 projects	72.2 billion yen	Projects for water supply source development and other facility improvement (3)
MAFF	4 projects	3.7 billion yen	Project for comprehensive development of field areas (1), project on measures for conservation of the rural environment (1), project to build an infrastructure for supply of local fishery resources (1), project to develop extensive fishing ports (1)
METI	3 projects	33.5 billion yen	Industrial water supply projects (3)
MLIT	12 projects	172.2 billion yen	Dam projects (2), seashore projects (2), road projects (2), harbor improvement project (1), land readjustment projects (3), urban redevelopment promotion project (1), housing district ground development project (1)
Total	22 projects	281.6 billion yen	—

(4) Examples of approaches by the various Ministries

- Introduction of ex-ante evaluation related to the taxation system

[MEXT]

From among the projects subject to planned tax system revisions, etc. implementation of ex-ante evaluation of those for which social impacts are expected to be particularly large

(Ex.: Alleviation of the burden of education costs by households (expansion of specific exemptions for dependents, etc.))

- Implementation of revisions of the evaluation method [MIC]

Shift from annual, exhaustive evaluations based on the performance evaluation method to period evaluations based on the comprehensive evaluation method with regard to policies where it is difficult to set indicators that can serve as targets, and policies where better evaluations are possible by using units of several years (ex.: promotion of human resources management of national public servants)

- Ingenuity with the manner in which the written evaluation is written, to provide further understandable information on the results, etc. of policy evaluations

[MHLW]

Specification of target achievement rates in written performance evaluations, etc.

- Improvements in numerical quantification of standards that should be achieved in relation to targets [NPSC/NPA⁽⁷⁾]

Promote numerical quantification as much as possible of items associated with standards for achieving targets, with regard to evaluations based on the performance evaluation method
(FY2007: 39.3% → FY2008: 74.1%)

Issues concerning policy evaluation of public works

○ Items to keep in mind when carrying out demand forecast, etc. as a prerequisite for calculating benefits

Keep in mind whether demand forecast, etc. are realistic, while referring to past actual performance, etc.

(among others)

○ Items to keep in mind with regard to the evaluation method when calculating benefits

With regard to the contingent valuation method (CVM) (*), the strictness of its accuracy should be secured, and

- When setting the offer for the amount of the Willing to pay, a preliminary survey should be conducted and the actual conditions should be taken into consideration.
- The survey scope should be set appropriately taking into consideration the actual conditions so that benefits are not overcalculated.

(among others)

○ Items to keep in mind when using data in calculating benefits

When calculating benefits, care should be taken so that the calculation range of the data is not too large or too small.

[From “Results of Checking Policy Evaluations”
(Administrative Evaluation Bureau, Ministry of Internal Affairs and Communications; March 2009)]

(*) Method that uses questionnaires, etc. where residents are asked the amount they would be willing to pay for social capital applicable to the evaluation (river/dam projects, sewage projects, etc.) to evaluate the monetary value of the applicable commodity, etc.

Evaluation by the Administrative Evaluation Bureau, MIC

(1) Evaluation to secure coherence and/or comprehensiveness

Implementation of evaluation

- April 2008: Evaluation results concerning “Policy evaluation on promoting natural regeneration” compiled, recommendations made to MOE⁽⁸⁾, MAFF and MLIT and those publicly announced.
 - March 2009: Evaluation results concerning “Policy evaluation on improving the tourism environment for foreign visitors” compiled, recommendations made to MLIT and MOJ⁽⁹⁾, and those publicly announced.
- *As of the end of March 2009, evaluation underway on the following themes: “Creating the world’s most advanced ‘low-emissions vehicle’ society”, “Preventing violence by spouses, etc.” and “Utilization of biomass”

Reflection of evaluation results

- Reflection of the results of evaluations in policies by relevant ministries relating to the themes on which opinions and recommendations were provided from FY2006 to FY2008

Policy evaluation on promotion of natural regeneration (FY2008)



Based on the evaluation results, a new basic policy for natural regeneration for further encouraging measures to promote natural regeneration was decided on. In addition, the Natural Regeneration Committee held a liaison meeting to exchange information, etc. in order to reexamine approaches and management methods.

Policy evaluation on PFI projects (FY2007)



Based on the evaluation results, amendments to guidelines relating to VFM (standards for judging whether a project can be implemented efficiently and effectively) and reinforcement of provision of information based on the “PFI Annual Report”, etc. were carried out.

Policy evaluation on recycling measures (FY2007)



Based on the evaluation results, reexaminations such as establishing new indicators for the Basic Plan for Establishing the Recycling-Based Society, and addition of target appliances in accordance with amendments to the Enforcement Order of the Law for Recycling of Specified Kinds of Home Appliances, etc. were made.

(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.**

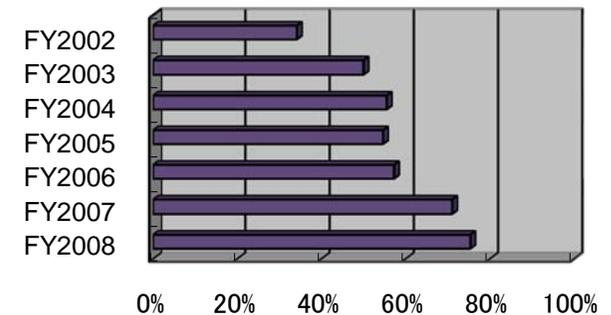
Issues

The performance evaluation method:
Identification of targets by numerical quantification, etc.

Ex-ante evaluation of regulations:
Analysis upon quantifying costs and benefits, etc.

Increased from 71% in FY2007 to 75% in FY2008 (34% in FY2002)

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



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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 45 cases in which doubts arose (11 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** (including those for which doubts were clarified and transparency was increased)
- **To increase the quality of future evaluations, general issues discovered in the results of efforts in FY2008 have been arranged, and presented to the various Ministries**

Issues

Public works: In cases where demand forecasts, etc. are conducted as a prerequisite for calculation of benefits, it is necessary for the forecasts, etc. to be realistic

General policies: In cases where the indicators merely highlight policy activities, improvements are made to establish such indicators in a way where policy effects can be comprehended (among others)

Reference Materials

- Case studies of the reflection of policy evaluation results
- Status of policy evaluation by Ministries
(Number of cases according to evaluation method, etc.)

Case studies of the reflection of policy evaluation results

General policies (1)

Publication of written evaluation in March 2009

Case study: General check of the comprehensive evaluation method^(*) (MLIT)

*A method where the successful bidder is determined by comprehensively evaluating prices and elements other than prices such as the construction schedule, functions, and safety, that is the opposite of a method for determining the successful bidder based on a price competition system where contracts are concluded with the bidder with the lowest tendered price. Supports Article 3 (2) of the Act on Promoting Quality Assurance in Public Works that was enforced in April 2005.



[Perspective of evaluation]

- (1) Verify what kinds of effects there are on improvement of the quality of objects being constructed by introducing the comprehensive evaluation method.
- (2) Individually evaluate “a concrete management method,” “securing fairness and transparency,” and “the burden of procedures,” which are considered as being issues at each stage in the implementation of the comprehensive evaluation method.

[Evaluation procedure]

- (1) Compare the rate of incidence of construction accidents and the construction performance rating with regard to the effects on improvements in the quality of construction, and analyze the evaluations of parties who placed/received orders based on questionnaires given to such parties. In addition, analyze the effects of a comprehensive evaluation method of a construction system confirmation type based on a “simultaneous, nationwide check concerning the construction system for public works.”
- (2) Analyze evaluations by parties who placed/received orders based on questionnaires given to such parties regarding “a concrete management method,” “securing fairness and transparency,” and “the burden of procedures.”

[Examples of issues that became clear from evaluation results]

- Confirm that the effects of the comprehensive evaluation method, such as a low rate of incidence of construction accidents in comprehensive evaluation as compared to price competition, are expressed
- At the same time, confirm the following kinds of concrete, operational issues through questionnaires and interview surveys

Issue (1): Theme setting for technical proposals

(Response from ordering party) Struggling with how to appropriately set evaluation items for technical proposals in implementing comprehensive evaluations.

Issue (2): Evaluation of technical proposals

(Response from party receiving order) As there is excessive technical competition, it is inevitable to make technical proposals that entail cost burdens, but such burdens are not reflected in planned prices.

Issue (3): Burdens required for procedures

(Response from ordering party) Since sufficient reviews are required in order to appropriately evaluate each of the technical proposals, the administrative burdens entailed in reviewing and evaluating technical proposals, etc. are large
(Response from party receiving order) Since the procedures for bid contracts take a long time and the technicians that are planned on being assigned are tied down for a long time, it is necessary to shorten the period for bid contract procedures.

[Reflection in policy (policies for future reports)]

- Continue fundamentally implementing the comprehensive evaluation method while establishing the following improvement measures, since the quality of construction is becoming ensured in association with the introduction of the comprehensive evaluation method.

Improvement measure (1): Issues that correspond to construction characteristics

Create “Theme Setting for the Comprehensive Evaluation Method, and Concepts behind Evaluation” as reference materials for theme setting.

Improvement measure (2): Prevention of excessive technical proposals

- (1) Express the maximum value for evaluations so that excessive technical proposals are not encouraged
- (2) Not allow evaluation items with low improvement effects and evaluation items with high uncertainty to be set as proposal issues, etc.

Improvement measure (3): Simplification of procedures

○ Simplification of standard-type
For construction with a small number of items for which technical proposals are required and that are low in terms of level of difficulty, the period for procedures were made the approximately the same as that for simple types, etc.

Case studies of reflection of policy evaluation results (general policies (2))

Publication of written evaluation in July 2008

Case study: Securing stable supply of fishery resources (MAFF)



[Targets]

- (1) Promote recovery and management of fishery resources, which remain at low levels
Formulate an implementation plan for reducing fishing efforts at an early point in time (within half a year after creating the plan for resources recovery), for the purpose of steady implementation of the resources recovery plan, etc.
- (2) Expansion of measures for processing, distribution, and consumption for promoting stable supply of fishery resources

[Results of policy evaluation]

Evaluation results related to target (1)

Formulate an implementation plan for reducing fishing efforts at an early point in time (within half a year after creating the plan for resources recovery), for the purpose of steady implementation of the resources recovery plan

Actual performance for FY2007: Achievement rate of 35%* (C rank)

The implementation plan for reduction consists of establishing a period during which fishing is prohibited, etc. As a result, since fishermen suffer directly, it is difficult to make progress with coordination among fishermen.
→ It is necessary to give instructions to relevant prefectures and make approaches toward establishing plans at an early point.

Detailed analysis on policy instruments

[Evaluation by policy instrument]

Subsidy to Create a Strong Fisheries Industry

In the outline for the subsidy, since there are no provisions for creating an implementation plan for reduction at an early point in time after formulating the resources recovery plan, efficient administrative operation is not being carried out.

[Reflection of evaluation results in policy]

Taking into consideration the evaluations by policy instrument.

- 1 In order to encourage prefectures to create the implementation plan for reduction at an early point in time (within half a year), the national government carries out the necessary local explanatory meetings, etc. while taking heed of the role of local public entities.
- 2 Provisions for creating the implementation plan for reduction will be newly established in the outline for Subsidy to Create a Strong Fisheries Industry.

* At MAFF, evaluation according to policy instrument that analyzes and verifies in an in-depth manner individual policy instruments (budget projects, etc.) that are included in policy fields as something that complements performance evaluation as necessary is being carried out.

Case study: Making it mandatory to install equipment to prevent the heating of cooking oils and pilot safety shut off devices in order to ensure safety of stove burners for home use (METI)

[Necessity and purpose of the regulation]

In recent years, there continue to be frequent occurrences of fires resulting from stove burners for home use. As a result, in the future, since it is insufficient to rely solely on voluntary approaches by the industry, fire accidents resulting from stove burners can be prevented before they occur by making it mandatory for equipment to prevent heating of cooking oils and pilot safety shutoff devices to be installed to all burners (flame openings) of "stove burners for home use."

[Revised contents of the regulation]

- **Proposed amendment: Make it mandatory for manufacturers and importers to install equipment to prevent the heating of cooking oils and pilot safety shut off devices**
- Alternative proposal 1: Further reinforce public relations related to dissemination and raising awareness of proper usage methods among consumers
- Alternative proposal 2: Promote voluntary activities by business operators/industries, and establish uniform technical standards (installation of safety devices, etc.)

[Cost-benefit analysis]

[Proposed amendment]	[Alternative proposal 1]	[Alternative proposal 2]
Anticipated costs Improvement costs for compliance with technical standards: 5 billion yen	Anticipated costs Costs for additional PR activities by the industry: 100 million yen	Anticipated costs Improvement costs for compliance with industry standards: 2.5 billion yen
Anticipated benefits Number of fires: 90% reduction [14.9 billion yen]	Anticipated benefits Number of fires: 10% reduction [1.7 billion yen]	Anticipated benefits Number of fires: 45% reduction [7.5 billion yen]

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

[Results of policy evaluation]

Proposed amendment (obligation): 14.9 billion yen – 5 billion yen = 9.9 billion yen / year (measurement of policy effects based on benefits – costs)

Alternative proposal 1 (reinforcement of PR activities): 1.7 billion yen – 100 million yen = 1.6 billion yen / year

Alternative proposal 2 (voluntary approaches): 7.5 billion yen – 2.5 billion yen = 5 billion yen / year

→ It is adequate to select the proposed amendment since it is possible to prevent accidents to a further extent, and large effects for society as a whole are anticipated as compared to the alternative proposals

Enforced on October 1st, 2008

Status of Policy Evaluation by Ministries (Number of Cases according to Evaluation Method, etc.)

[] = previous fiscal year

Policies subject to evaluation		Ex-ante evaluation: 1,546 cases [1,255 cases]	Ex-post evaluation: 5,542 cases [2,454 cases]
General policies	Policies/ measures ↑↓ Administration Projects	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">Project evaluation before decision of policy 235 cases [233 cases]</div> <p style="text-align: right; margin-right: 20px;">235 cases [233 cases]</p>	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">Individual continued project evaluation 39 cases [49 cases] (Note 3)</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">Performance evaluation 312 cases [392 cases]</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">Comprehensive evaluation 69 cases [114 cases]</div> <p style="text-align: right; margin-right: 20px;">412 cases [545 cases]</p>
	Policies/ measures ↑↓ Administration Projects	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">Public works evaluation 963 cases [686 cases]</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">R&D evaluation 145 cases [158 cases]</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">ODA evaluation 46 cases [40 cases]</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">Evaluation of regulations 157 cases [116 cases] (Note 2)</div> <p style="text-align: right; margin-right: 20px;">1,311 cases [1,022 cases]</p>	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">Unstarted/Unfinished project evaluation 4,236 cases [931 cases]</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">Project evaluation after completion/termination 886 cases [968 cases] (Note 4)</div> <p style="text-align: right; margin-right: 20px;">5,130 cases [1,909 cases]</p>

(Notes) 1 “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).

2 Number of evaluations of regulations in the previous fiscal year (116 cases) refers to those published between October 1st, 2007, when such evaluations became mandatory, to March 31st, 2008.

3 “Individual continued project evaluation” (39 cases) includes evaluations on policies in the four specific areas (8 cases).

4 “Project evaluation after completion/termination (886 cases) includes evaluations related to general policies (1 case).