Toward the Introduction of Policy Evaluation

By The Society for the Study of Administration Systems

1. Introduction

(1) *About policy evaluation*

Given the diversification of people's personal values and the rapid globalization of international economic activity, it has become clear that administrative institutions have to place more emphasis on market principles, define the demarcation of public and private sector activities, and function more effectively. They are responsible for explaining the policies in return for the trust of the people.

The importance of policy evaluation is thus gaining recognition and is attracting a great deal of attention. Policy evaluation refers to processes undertaken in the policy planning stages to identify a policy's necessity, objective, and anticipated impacts, as well as processes undertaken after a policy has been enacted to review whether it has achieved its initially expected results and to provide necessary feedback for new policy planning activities.

(2) *International Trends*

Since the 1980s, there has been an ongoing worldwide trend of public-sector reforms which are generally called the New Public Management (NPM). NPM is manifested in a variety of forms from country to country, and has been influenced by theoretical developments in the fields of business administration and neo-institutional economics. NPM attempts to apply these theories to political methods and the administration of political organizations. Policy evaluation and systems that utilize it play a significant role in such applications.

(3) *Intent of this Proposal*

Opportunities to build on domestic and international trends and to actively introduce policy evaluation are increasing. Recent Central Administrative Reforms call for each ministry and agency to introduce policy evaluation systems in conjunction with the restructuring they will undergo in January 2001. While preliminary and follow-up assessments of policies have already been conducted to a certain degree, from now on, policy evaluation needs to be systematically incorporated into and established as part of the policy planning and implementation structure.

This proposal is thus focusing on policy evaluation conducted by policy planning departments, and is discussing domestic examples of policy evaluation and the issues being faced in its implementation.

2. Aims of Policy Evaluation

(1) *Improvement of Quality of Policies*

The purpose of policy evaluation is to enhance the effectiveness and efficiency of policies, that is, to examine in the policy planning stages the policy's necessity and problem-solving methodology, and to determine what kind of positive or negative impacts the policy might have. It is also intended to contribute to the introduction of more effective policies by calling for follow-up reviews of whether policies have achieved their initially expected results, deliberation on how to introduce more suitable policies, and the provision of necessary feedback to those in charge of policy implementation and system design.
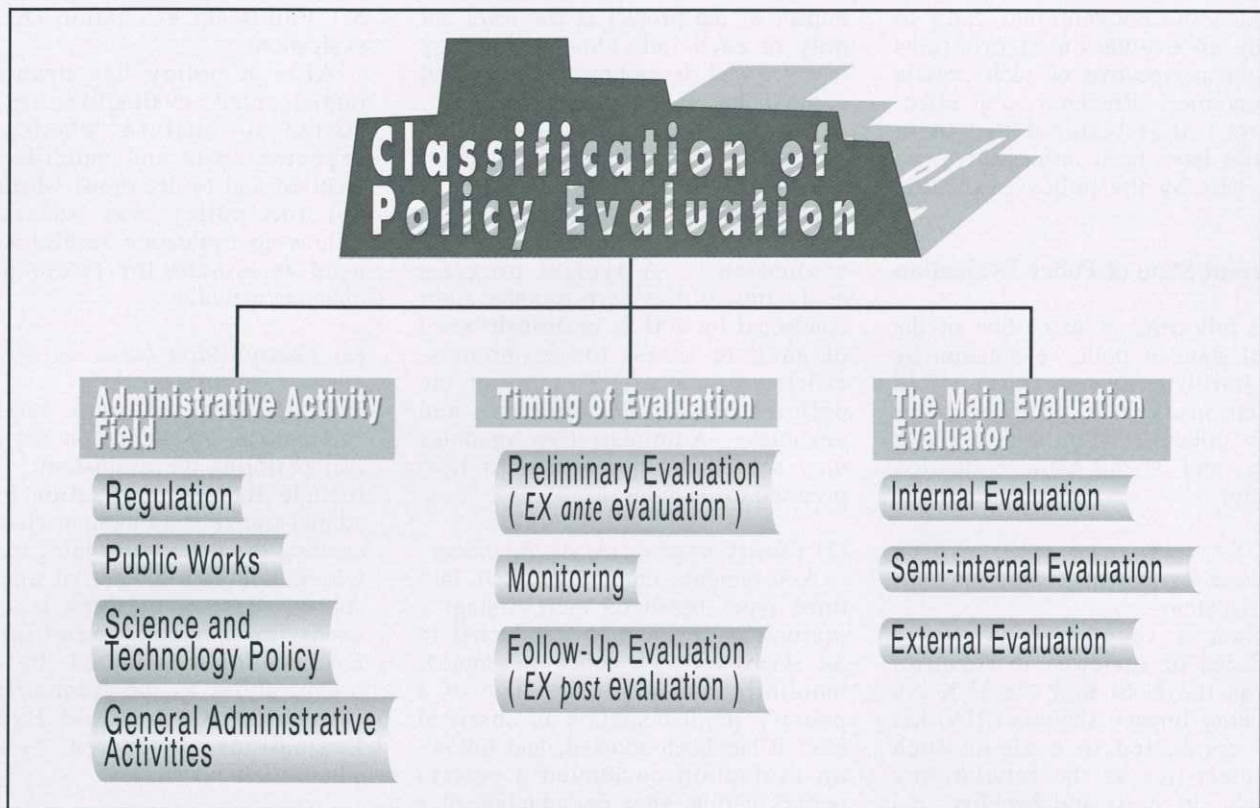
Such activities have already been conducted to a certain degree. The introduction of policy evaluation would clarify and systematize the criteria, scope, and content of assessments, and would target improved policy quality. Policy evaluation would also serve as a tool for conducting organizational learning by analyzing the cause-and-effect relationship between the implementation and results of individual policies, accumulating knowledge, and sharing that knowledge as needed.

Nonetheless, policy evaluation results are not decisions in and of themselves, but tools that provide information that can be used to make better decisions. Thus, for policy evaluation to be useful in terms of making more accurate decisions, investigations of the introduction of an evaluation system need to incorporate considerations about how such a system would work in conjunction with other related systems. Policy evaluation procedures may also need to be revised after they are implemented.

(2) *Execution of Administrative Accountability*

When planning and implementing a policy, administrative institutions should be held accountable for explaining the necessity of that policy to the people. As stated above, administrative institutions can use the policy evaluation process to logically deduce the necessity of a policy, whether the nature of administrative activities are meeting the needs of the people, and whether policies are being implemented effectively. Administrative institutions are responsible for explaining the results of policy evaluation activities to the people in a manner that is easy to understand. Policy evaluation thus makes

Classification of Policy Evaluation

Administrative Activity Field

- Regulation
- Public Works
- Science and Technology Policy
- General Administrative Activities

Timing of Evaluation

- Preliminary Evaluation (*EX ante* evaluation)
- Monitoring
- Follow-Up Evaluation (*EX post* evaluation)

The Main Evaluation Evaluator

- Internal Evaluation
- Semi-internal Evaluation
- External Evaluation

administrative institutions more accountable to the people.

If policy evaluation results are widely publicized, popular understanding of administrative policies will improve. Moreover, the introduction of a public commentary system would allow people to evaluate policies from their own individual viewpoints. That is, specific judgments regarding the important factors involved in devising a policy, such as the administrative institutions' awareness of current conditions and the necessity and effectiveness of policies, can be anticipated. At the same time, policy evaluation will give administrative institutions opportunities to hear opinions and judgments from diverse viewpoints and thus to improve their policy-planning capabilities.

3. Movements Surrounding the Introduction of a Policy Evaluation System

The introduction of policy evaluation was proposed in the December 1997 Final Report of the Administrative Reform Council which stated, "In terms of maintaining administrative transparency, administrative information must be fully disclosed to the public and administrative institutions should be held fully responsible for explaining that information to the people. Policy evaluation functions fair from the point of view of the people need to be improved." Also, the Basic Law on Reform of Central Government Agencies (June 1998) incorporates the "strengthening of policy evaluation functions" as a basic policy direction for Central Administrative Reforms.

Following these trends, a ministerial communication council has been established, with the Management and Coordination Agency as the secretariat, and the council is now in the process of developing standard guidelines for policy evaluation so that a new policy evaluation system can be smoothly implemented starting from January 2001.

In December 1997, the Board of Audit Law was partially revised. To strengthen the functions of the Board of Audit, economics, efficiency, and effectiveness were specified as audit criteria. In the past, audits conducted by the Board of Audit confirmed a project's financial information as well as its veracity and credibility in terms of its legality and regulatory compliance. In recent years, however, boards of audit in the U.K. and the U.S. especially have

expanded the conventional audit to include an evaluation of programs from the perspective of such criteria as economics, efficiency, and effectiveness. It is believed that these revisions have been influenced in no small part by the policy evaluation trend.

4. Current State of Policy Evaluation

The following is an outline of the current state of policy evaluation by 1) administrative activity field (regulations, public projects, technology policies, ODA, etc.), 2) the timing, and 3) the main evaluation evaluator.

(1) *Classification based on administrative activity field*
1. Regulations

When a regulation is newly introduced or reviewed in countries such as the U.S. and the U.K., a Regulatory Impact Analysis (RIA) has to be conducted to evaluate such characteristics as the regulation's rationale, its costs and benefits, and its relative advantage versus alternative plans.

2. Public works

Cost-benefit analysis is generally conducted in evaluating public projects worldwide. The governments of the U.S. and the U.K. have established common guidelines that are applied to all their various public projects. As will be discussed later, a "re-evaluation system" is being introduced in Japan.

3. Science and Technology policies

Japan's Science and Technology Basic Plan established the "National Guideline on the Method of Evaluation for Government Research and Development," and each agency and ministry conducts evaluations of research and development projects based on those guidelines. In the U.S., the U.K., Australia, and Canada, evaluations sometimes take into account the economic and social impact of the project at the level not only of each individual technology research and development project, but at the higher policy level.

4. General administrative activities

A follow-up evaluation performed to intentionally highlight the results of a policy is usually called a "program evaluation." A typical program evaluation is the performance audit conducted by a U.S. or British board of audit to assess the economics, efficiency, and effectiveness of the policies of various ministries and agencies. Administrative agencies may sometimes perform their own program evaluations.

(2) *Classification based on the timing*

Assessments can be divided into three types based on their timing: a preliminary evaluation conducted in the stages before a policy is adopted, monitoring in which the state of a policy's implementation is observed after it has been adopted, and follow-up evaluation conducted a certain period of time after the adoption of a policy or after the policy has been fully implemented.

1. Preliminary evaluation (*Ex ante* evaluation)

Conducted in the policy planning stages, evaluations are performed to determine the policy's rationale, to set goals, and to compare the policy with other potential alternatives. They are also used to obtain information that is useful for selecting the most appropriate policy.

2. Monitoring

After a policy has been enacted, monitoring is conducted regularly to measure predetermined indices and progress toward goals. The primary purpose of monitoring is to determine whether any unanticipated, unforeseen results have occurred as a result of a policy.

3. Follow-up evaluation (*Ex post* evaluation)

After a policy has been fully implemented, evaluations are conducted to analyze whether the expected costs and benefits were incurred and to determine whether or not the policy was successful. Follow-up evaluation results will be used as lessons for future policy planning activities.

(3) *Classification based on the main evaluation evaluator*

There are different kinds of evaluations depending on the agent that performs the evaluation. These include Internal Evaluation by the administrative institution in charge of creating the policy (including cases in which non-administrative agencies such as experts or think tanks are used), cross-agency Semi-internal Evaluations conducted by such organizations as the Administrative Inspection Bureau, and External Evaluations conducted by non-administrative agencies.

5. Japanese Examples

Even in Japan, there is a trend toward strengthening administrative evaluation functions, through activities such as performing cost-benefit analysis, or program evaluations of public projects, and establishment by local governments of specific performance targets to improve the quality of administrative services. The following presents some leading examples of these efforts.

(1) *Public project re-evaluation system*

Six ministries involved in public projects including the Ministry of Construction and the Ministry of Transport introduced a public project re-evaluation system in 1998 for re-evaluating public projects that have been in progress for a certain period of time. If it is deemed that a project should not be continued, it can either

be suspended or discontinued.

For example, construction projects that have not been completed within five years of their approval are re-evaluated on the basis of the progress made on the project, changes in the factors used in the cost-benefit analysis that was conducted when the project was approved, changes in socio-economic conditions such as local objectives, and the possibility of cost reductions or the adoption of alternative plans. Re-evaluation results are used to make decisions regarding the project, such as whether it should be continued, suspended, or discontinued.

Re-evaluations are not currently conducted according to specific technical methods, but as qualitative processes.

(2) Textile policy evaluation by MITI

In the wake of the June 1999 abolition of the Textile Industry Restructuring Agency, which had played the role of implementing textile policies since 1967, the Ministry of International Trade and Industry performed an evaluation on each individual policy system in order to consider the drastic re-evaluation of textile policies which included the abolition of the law under which the agency had originally been established, the Law on Extraordinary Measures for the Structural Improvement of the Textile Industries.

Specifically, MITI examined the degree to which assistance measures were applied (approval plans, performance by applicants, etc.), collected examples from surveys conducted among businesses that took advantage of assistance measures, derived the political implications from the results of its qualitative evaluations, and convened a council comprised of academics, experts, and industry specialists to review the evaluation results.

Its evaluations were primarily qualitative, but it also conducted evaluations that focused on results and effects at the policy level rather than

the individual project level. It was a pioneering project in terms of an administrative institution conducting its own program evaluation.

(3) Business project evaluation in Mie Prefecture

In 1995, Mie Prefecture initiated a business project evaluation system as part of its "Sawayaka Undo (Refresh the Prefecture)" campaign, based on the theme "administrative management starts with local residents."

Specifically, the prefecture defined goals and established a results index for all of its projects, created a "Business Project Goal Evaluation Chart" in which it published these project goals, and publicly disclosed this information to prefectural residents on its web site.

This system became established over the course of three years by implementing large-scale training programs for raising the awareness of personnel, and by authorizing each jurisdictional office to use up to half of the reduced budget for new projects. The system was also revised as experience was gained in the actual operation of the system.

6. Future Issues

The following is an outline of some important issues and future challenges that should be considered by administrative institutions that design policy evaluation systems.

(1) Recognition of limitations of policy evaluations

A single evaluation method cannot cover all aspects of a policy. To conduct a comprehensive evaluation requires that, for example, qualitative evaluations be supplemented with quantitative methods.

(2) Consideration of the diversity of target policies

Be careful in determining whether the policy area that is to be evaluated is a area that has established evaluation methods or an area in

which a certain degree of trial and error is inevitable. It is necessary to determine suitable evaluation methods in each case since the determining factors for each policy vary, such as the time required to demonstrate the effectiveness of the policy and ready sufficient data for evaluation.

(3) Avoidance of indiscreet homogenization and formalization of evaluation

A point of great importance is that the evaluation process must not degenerate into merely formalized paperwork requirements and indiscreet homogeneous procedures. It would be meaningless for the original purpose of conducting policy evaluations to be forgotten, for the evaluation process to become an end in and of itself, or for evaluation personnel to induce "evaluation burnout." It is crucial that considerations be made of the personnel and financial resources that can be taken into account in conducting evaluations and that the cost-effect ratio for the evaluation process itself is improved.

7. Conclusion

As has been stated above, it is hoped that policy evaluation is actively introduced for the sake of improving policy quality and increasing the accountability of administrative institutions. The further development of policy evaluation requires an increased awareness of the issue, not only among administrative institutions, including the local governments that implement policies, but also among the general population. In that sense, this proposal would do well to serve as a catalyst of such broad-based awareness. **JJTI**

> The Society for the Study of Administration Systems is a study group which consists of young government officials and business people.