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**Title:**

**How to manage public sector performance with participation: is it possible to guarantee public accountability in “hybrid” management?**

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**Abstract:**

The paper analyses experimental cases of introducing “governance” model in Italian and Japanese central and local governments, trying to introduce concept of "governance" in managing and in measuring their performance and organization.

The cases are so-called “governance” model, in which non-profit sector and/or private sector take part in public activities and those of the new performance evaluation system, which takes into consideration this hybrid management. Municipalities are now developing systems, which focus on reviewing the role of public sector and seeking its partnership with private sector, non-profit organization (NPO), and civil society. New systems have been introducing the concept of "governance" and its indicators deal with the possibility of outsourcing, citizen participation, and different forms of partnership. Projects and public services are classified in accordance with human resource management, financial resource management, and long-term public sector reform plan of the municipality. The paper analyses these experiments from the points of view of new trends in performance measurement system.

Municipalities launched these experiments after implementing several cases of collaboration among public sector, citizen, local business, and non-profit sector in providing public services of some fields. The basic idea of “governance” is to rationalize public sector performance; to reduce cost; and to empower citizen,

non-profit sector. The concept includes introduction of new patterns of partnership in public domain, including the reviewing of the “public domain” itself. The performance measurement system is important to classify performances using criteria like “partnership” and “governance”. The paper analyses the performance measurement systems and their performance information of these cases.

In Japan, most of the prefectures and municipalities have introduced or are going to introduce performance measurement system. Most of those deals only with performance measurement but some have already introduced policy evaluation and/or programme evaluation. Some local governments have performance measurement systems, which take into consideration the “governance” aspect. Some enacted special charters or regulations, most issued guidelines in introducing their system. This nation-wide movement of local governments is rather independent from the national effort to establish legal framework for policy evaluation system. Both national and local efforts for better governance in public sector are now producing interesting results, not only on the public sector reform but also for the governance techniques in general.

In conclusion, the paper will summarize the developing situation of performance measurement and policy evaluation system in hybrid management.

## **Introduction**

The paper tries to describe the Japanese NPM (New Public Management) from two opposite poles, from the national legislative framework and from an experimental case in a local government.

At national level, NPM has been introduced from its Anglo-Saxon experiences and implemented in Japan in its own unique manner since late 90's. The critical situation of public finance, urgent need for public sector reform, and political instability lead to two extreme options; one was the self-reforming effort of bureaucracy, and the other was the citizen empowerment and its pressure on bureaucracy. Meanwhile the second has been struggling to get public consensus, expertise for practice, and institutionalization, the first managed to result in reorganization and restructure of administrative institutions to a certain extent, and in establishment of legal framework and operational system for performance measurement and policy evaluation.

Renewal of public management and public service delivery has become an important trend in public sector reform recently. NPM was introduced into the traditional type of public administration and changed its managerial style with its series

of techniques delivering from business management. Customer oriented and/or outcome oriented thinking has been introduced in policy-making and implementation process. Reform in public service delivery, affected by these orientations, forced public sector organizations to outsource some of its functions, privatize its enterprise, and revise the role of government in accordance with the role of private sector and civil society. Public-Private Partnership (PPP), Public Finance Initiative (PFI), other forms of collaborations implemented became alternatives to traditional government re-structuring. This trend is now evolving into the “governance” model of government.

Since the 1980s, there have been considerable changes in management and control of public sector organizations, and those changes have been classified as a “New Public Management (NPM)”<sup>1</sup>. NPM is characterized by the following aspects: the idea of a shift in emphasis from policy making to management skills, from a stress on process to output, from orderly hierarchies to an intentionally more competitive basis for providing public services, from fixed to variable pay, and from uniform and inclusive public service to a variant structure with more emphasis on contract provision. An increasingly notable element of the NPM is the seemingly endless list of accounting-based techniques that are being drawn on in the pursuit of reform. Specifically, it is pointed out that there are at least five different categories within that referred as “new public financial management (NPFM)” reforms<sup>2</sup>.

The first involves changes to financial reporting systems, including the promotion of accrual-based financial statements across government departments and sectors and a reliance on professionally set accounting standards. The second concerns the development of commercially minded, market oriented management systems and structures to deal with the pricing and provision of public services. The third comprises the development of a performance measurement approach, including techniques such as financial (and non-financial) performance indicators, league tables, citizens’ charters and program evaluations. The fourth concerns the development or delegation of budgets, coupled with the attempted integration of both financial and management accounting systems and also economic-based information sets. Reforms have especially tried to link budgets as predetermined plans with the reporting of results (in financial and non financial terms). The final category of NPFM reform involves changes to internal and external public sector audits, notably in terms of monitoring service delivery functions and providing reviews of the efficiency and effectiveness (VFM, or ‘value-for-money’)

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<sup>1</sup> Olson, O. Guthrie, J. and Humphrey, C., 1998

<sup>2</sup> Hood, C., 1995

of public services.

In summary, NPM represents an increased use of business and/or commercial management tools and strategies in the public sector. In particular, increasing use of the commercial (accrual) accounting model in the public sector is advocated, without comparing this accounting model with the cameral accounting model, which for centuries has been used in the public sector in many countries, particularly in continental European countries<sup>3</sup>.

In Japan, establishment of legal framework was one of the results of national efforts for policy evaluation, which is considered to be one of the most important aspects and instruments to realize NPM. The Japanese Policy Evaluation Act was enacted on June 2001 and was put into force on April 2002. In accordance with the Policy Evaluation Act, the Cabinet issued “Basic Guideline for the Policy Evaluation” on December 2001. This guideline was approved by the cabinet meeting after hearing opinions of various policy evaluation committees of Ministries and Independent Administrative Institutions (IAIs, e.g., agencies) and covers wide range of issues, such as: 1) guideline for basic plans of Ministries; 2) guideline for improving policy evaluation system; 3) guideline for implementing policy evaluation system.

The national legal framework for policy evaluation and its operational system are designed to be completed within bureaucracy, and manage to get rid of any control from outside. The system offers neither clear separation between performance measurement by bureaucrats and policy evaluation by political authority, or control from the third party, especially from the citizen. In fact, final evaluation and expression of judgement are the competence of the Ministry of Internal Affairs and Communications (MIC, however just after the merger in 2001, known as Ministry of Public Management, Home Affairs, and Posts and Telecommunications, MPMHAPT), which is an internal organization and one of the government institutions. The decision to make the MIC the final evaluation organ of performance of Ministries characterizes the authoritarian Japanese evaluation system. The national legal framework, despite its efforts for establishing performance measurement and policy evaluation, lacks any guarantee of co-governance with the citizen and thus denies the role of stakeholders in policy process<sup>4</sup>. The current system shows that at the national level, the Japanese public

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<sup>3</sup> Eichhorn, P., 2001

<sup>4</sup> Yamamoto, H., 2002 quotes, for example, Barnett, A., “Towards a Stakeholder Democracy”, in Kelly, G., Kelly, D., and Gamble, A., (eds.), *Stakeholder Capitalism*, Macmillan, 1997, and Freeman, R.E., *Strategic Management: A Stakeholder Approach*, Pitman, 1984, among many. He also refers to Box,

management reform lacks the citizen empowerment and its advocacy, thus resulting in an uncompleted NPM, focusing only on managerial techniques.

Meanwhile, some interesting efforts can be found out at sub-national level. Almost all of the prefectures and major part of the municipalities have already introduced or now are going to introduce performance measurement systems. Some of these show ideas to realize co-governance. Although most of those deal only with performance measurement, some have already introduced policy evaluation and/or programme evaluation. Some advanced municipalities enacted special charters or regulations, most issued guidelines in introducing their system. Those charters show, in fact, efforts to introduce a kind of citizen's charter and are one of the most interesting experiments among the local governments to realize NPM in its original sense, as they try to guarantee the control of stakeholders and thus enabling the advocacy of the citizen<sup>5</sup>.

This nation-wide movement of experimenting performance measurement and/or policy evaluation by local governments is rather independent from the national effort to establish legal framework for policy evaluation system. It is these local government movements that are actually leading the nation's trend in this field. Both national and local efforts for better governance in their different manners are now producing interesting results, not always positive though, on their reforms and also on governance techniques in general.

One of these experiments is that of introducing "governance" model, or so-called "Atarashii Kokyo" (literary means "new public")<sup>6</sup>, in a Japanese suburban municipality. This case represents recently developed "governance" model in local governments, trying to introduce concept of "governance", redesigning the public domain and trying to establish a partnership in providing public services and in measuring their performance.

The system, which is partly implemented in Setagaya Ward in Tokyo, is considered as one of the most interesting examples of "governance" model and of new performance evaluation system among Japanese municipalities. Prior to this system, the municipality introduced a performance measurement system using ICT (Information

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R.C., *Citizen Governance: Leading American Communities into the 21<sup>st</sup> Century*, Sage, 1998, and Clark, W., *Activism in the Public Sphere: Exploring the Discourse of Political Participation*, Ashgate, 2000.

<sup>5</sup> Tsujiyama, T., 2002

<sup>6</sup> The concept was introduced and defined by Imamura, T., 2002, Yamamoto, H., 2002, and Tsujiyama, T., 2002.

and Communication Technology), namely intranet and search engine for its purpose and started a new era of performance measurement system in municipalities. They developed a new system, which focuses on reviewing the role of public sector and seeking its partnership with private sector, NPOs, and civil society.

The new system has been introducing the concept of "governance", or so-called "new public" in measuring performances. Its indicators consider the possibility of outsourcing, citizen participation, and different forms of partnership. Projects are classified, according to these criteria, into those: 1) which need strong and direct public sector involvement also in the future; 2) which might be outsourced or need partnership; and 3) which have to be passed completely to private sector as soon as possible. This classification is in accordance with the patterns of human resource management, financial resource management, long-term public sector reform plan of the municipality, their characteristics, cost analysis, and market competitiveness. This experiment is thus analysed from the points of view of new trend in performance measurement system introducing the "governance" model and that of public sector reform.

The municipality introduced this "governance" model recently, after implementing several projects of collaboration among public sector, citizen, local business, and NPOs in providing its public services of specific fields. The concept of "governance" is: 1) to rationalize public sector performance; 2) to reduce cost; and 3) to empower citizen, local business, and NPOs. The concept refers to the introduction of new patterns of partnership in public domain, including the reviewing of the "public domain" itself. This is parallel to the "reinventing government" process. In fact, the concept of "governance" can be delivered from the reviewing of public domain<sup>7</sup>.

As "governance" model has been introduced in order to implement public sector reform, the performance information of this performance measurement system is expected to become important resource to classify performances using criteria like "partnership" and "governance". All projects are now classified for the future reform of this municipality. The paper analyses the performance measurement system and its performance information in detail.

In conclusion, the paper will summarize the developing situation of policy evaluation system in Japan with two directions: 1) in accordance with public sector reform of the nation within its legal framework, and 2) in accordance with citizen empowerment and "governance" concept.

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<sup>7</sup> Imamura, T., 2002

## **1. New Public Management Japanese Style and “Standard Guidelines for Policy Evaluation”**

Public sector reforms are planned and implemented, sometimes because of the shortage in financial resources, sometimes due to the change of political power, sometimes forced by the request of the citizens, and sometimes because of corruptions and scandals. Moreover, in many cases, more than one of these aspects get together to push forward the reform.

Financial pressure is one of the most frequent reasons for the reform. As the serious economical crisis has been forcing governments of many countries to cut and rationalize their spending and budget, there have been strong needs to reform the public functions and organizations. Public sector reforms are usually not limited only to public institutions and include revision of relationship between public and private sectors.

Citizen empowerment is another aspect that has been influencing public sector reform. Accountability is now required in any public organization because of these empowered citizens. Moreover, with the diffusion and advancement of a “governing” model in public sector, accountability has been becoming the key issue to guarantee legitimacy of participation and collaboration.

Recent examples of public administration reforms in various countries, including Japan prove that their backgrounds of reform have many things in common. For example, member countries of the European Union have been implementing public reform policies, which include; restructuring of government institutions and public organizations, modernization of budgeting process, rationalization of financial policy and its implementation, change of human resource management, renewal of public management and public service delivery, review of public/private partnership, and use of ICT (Information and Communication Technology) to improve managerial process as well as communication to/with the citizens<sup>8</sup>. NPM has become one of the most important keyword for their reform. Need of accountability and transparency was highly requested not only for the European integration, but also for Japanese domestic purposes.

Restructuring of government institutions and public organizations is one of the most classical methods of reform and widely implemented in many countries. However,

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<sup>8</sup> Majocchi A., 1997, 1998, 2000 show evidences of influences of EU policy on national policies.

recently reorganization and/or restructuring does not only mean merger among different institutions or rationalization of organizations. It also includes outsourcing and/or privatization of certain function of public institutions, creation of agencies, and introduction of different forms of public-private partnership. Modernization of budgeting process is another important reform for government and public institutions in general. This reform has been frequently tried and partly implemented in developing countries, where economic and financial transparency, accountability through decision-making process, and prevention of corruption are key issues to be achieved and guaranteed by authorities in order to get financial support from international organizations and international society<sup>9</sup>. Introduction of a more rational accounting system, including accrual accounting in the public sector has been combined with public management reform<sup>10</sup>. Rationalization of financial policy and its implementation has been recognized as crucial factor for more pragmatic and practical public sector management. Financial policy used to be influenced by political background of the government and thus by ideological stance. However, for more efficient and effective governance, which require innovation and creativity, pragmatic and strategic policy is needed instead of ideological and political one.

Human resource management is another field that experienced radical change. In the past, human resource management in public sector was product of political compromise with social pressure. Historically, public employment had the function and characteristics of labour policy.

Customer oriented and/or outcome oriented management has been introduced in policy-making and implementation process. Reform in public service delivery, affected by these orientations, forced public sector organizations to outsource some of its functions, privatize its enterprise, and revise the role of government in accordance with the role of private sector and civil society. PPP, PFI, other forms of collaborations implemented became alternatives to traditional government restructuring. This trend is now evolving into the “governance” model of government.

Following these efforts in introducing NPM and especially performance measurement system and policy evaluation system, “Standard Guidelines for Policy Evaluation” was issued on January 2001 and aimed to provide guiding principles to Japanese government institutions in preparing their policy evaluation implementation

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9 Ateetanan P. 2001, Ishak A. W. 2001

<sup>10</sup> Kudo H. 2001c, 2001d, 2002, Badan Akuntansi Keuangan Negara (BAKUN) Departemen Keuangan.R.I.(Indonesia), 2000 shows experiences of pubic finance reform in developing country.

outline. All government institutions are expected to perform policy evaluation.

### **1-1. Objectives of Policy Evaluation**

In Chapter 1, objectives of policy evaluation and basic framework are defined<sup>11</sup>.

As basic framework for policy evaluation, the guideline defines the concept of "policy evaluation" as; "the national public institutions providing information useful for policy making as well as for precise implementation of policy, by measuring, analysing, and judging the effects of policy" Policies that are subject to evaluation can be classified into "policy", "implementation measures," and "administrative work and projects", which form a comprehensive system maintaining relationship of objectives and means.

As each government institution makes policy plans and proposals, and implements policy, each organization must carry out its own policy evaluation. The Ministry of Internal Affairs and Communications (MIC, however after the merger of three institutions in 2001 and at the time of enactment of the law, it was know as Ministry of Public Management, Home Affairs, Posts and Telecommunications, MPMHAPT) is specialized in evaluation and carries out policy evaluation of other government institutions. Government institutions must ask opinions from outsiders as academics, experts, and professionals, including people from private sector when high specialization and/or specific knowledge are needed, or when it is necessary to ensure objectiveness.

The Commission on Policy Evaluation and Evaluation of Independent Administrative Institutions, which is set up at the MIC, ensures the neutrality and fairness of policy evaluation by carrying out investigation on policy evaluation plans, status of implementation, and main advices to be performed by the ministry and provide opinions to the Minister.

### **1-2. Implementation of Policy Evaluation**

Chapter 2 defines approaches for implementation of policy evaluation. As for the timing of evaluation, policy evaluation can be performed before or after the implementation of policies. Depending on the characteristics of policies to be evaluated, it is also possible to evaluate during the implementation stage (i.e., interim evaluation).

For performance indicators and general standards for evaluation, each

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<sup>11</sup> Its objectives are: 1) to make public administration accountable to the public; 2) to achieve effective and high quality public service that focuses upon the well-being of the people; and 3) to change over to outcome-oriented public service that reflects the people's needs.

government institution and the MIC must carry out comprehensive evaluation by selecting appropriate indicators in accordance with the objectives of evaluation and the characteristics of subjects to be evaluated, based on the following concepts for evaluation; “necessity”, “efficiency”, “effectiveness”, “fairness”, and “priority”<sup>12</sup>.

Each government institution and the MIC must carry out policy evaluation considering the cost necessary for the evaluation and by using evaluation method appropriate and rational in light of objectives of the evaluation and characteristics of subjects to be evaluated. Each government institution must choose an appropriate evaluation method and carry out evaluation in accordance with characteristics of its own policy and the needs for policy evaluation in that area, based on the following three evaluation methods:

- 1) "project evaluation" which provides information useful for adoption, rejection, and choice of activities by conducting evaluation beforehand and by carrying out verification during and after the implementation;
- 2) "performance evaluation" which provides information on policy achievements, by setting up goals to be achieved beforehand in the wide-ranging areas of public services, measuring performance, and evaluate achievements;
- 3) "comprehensive evaluation" which provides information useful for solving problems by setting up specific themes, carrying out comprehensive evaluation by examining them deeply and from various angles, and by finding out policy effects.

In order to reflect evaluation results on policies, government institutions must establish mechanisms that enable results of policy evaluation be reflected in appropriate manner in carrying out planning and proposals. The MIC notifies results of evaluation

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<sup>12</sup> "necessity", if the policy objective is appropriate in light of the needs of the people and society, if it is appropriate in light of higher objectives, if it is necessary for public institutions to carry out the policy in terms of governmental involvement; "efficiency", if it is possible to obtain results commensurate with the amount of resources used, if such results are actually being obtained; if there is any other way to obtain the required result by using less resources, if there is any other way to obtain better result by using the same resources; "effectiveness", if it is possible to obtain the desired results by implementing the given policy, if such results are actually being obtained; "fairness", if it is possible to distribute benefits and share cost of policy implementation in a fair manner, in light of objectives, if they are actually being distributed in a fair manner; "priority", if the policy in question has the priority to be implemented before any other policies.

to the government institution concerned and, if it is necessary, makes advice. Subsequent to advice, the MIC requests government institutions concerned to submit report with appropriate period of time how the results of policy evaluation are being reflected in policy, and if there are any items that are deemed necessary to be reported to the Prime Minister. If necessary, the MIC provide opinion to the Prime Minister. In terms of reflecting results of evaluation on the budget, each government institution reflects results of the examination on its budget requests. The fiscal authorities must try to use these results of policy evaluation appropriately during the budgeting process.

Each government institution and the MIC publish not only results but also process of policy evaluation, including hypotheses and assumptions used in evaluation process, evaluation methods, indicators, related data, learning and experiences. Publication is required rapidly and easy access from the public so that the website is widely used for this purpose. For each fiscal year, the MIC publishes a summary of results of policy evaluation by all government institutions and about how these results are reflected on policy. Each government institution and the MIC streamline such mechanisms to receive external opinions and requests concerning policy evaluation.

Chapter 3. deals with policy evaluation at each government institution, defining first implementation set up and organization, then about preparation of performance information and results of policy evaluations. To ensure systematic and continuous implementation of policy evaluation, each government institution must implement the procedure of policy evaluation following these guidelines<sup>13</sup>. Based on implementation outline, each government institution must determine specific operational and guiding principles concerning systematic implementation of policy evaluation for each fiscal year.

### **1-3 Role of MIC**

Chapter 4. describes about policy evaluation at the MIC, defining the role of the Ministry, as it conducts unified or comprehensive evaluation of policy of each government institution, or conduct evaluation to ensure objectives and implementation of policy evaluation. Furthermore, it summarizes and publishes results of evaluation of the government and about how these results are reflected on policy, and conducts other

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<sup>13</sup> This implementation outline includes; 1) objectives of evaluation, 2) system to implement evaluation, 3) indicators and general standards for evaluation, 4) evaluation methods, 5) reflecting results of evaluation on policy, 6) publication of results of evaluation, 7) system to receive opinions and requests concerning policy evaluation from outside.

internal affairs, which include holding meetings of "liaison conference for policy evaluation organizations" (tentative name). To ensure the systematic and continuous implementation of policy evaluation, the Ministry must prepare implementation guideline for policy evaluation. There is a clear distinction between policy evaluation and traditional administrative evaluation and surveillance. In order to maximize functions of both types of evaluation, it is necessary to avoid duplicated work.

In chapter 5, resting definitions concerning policy evaluation are made as follows. The MIC convenes "liaison conference of policy evaluation organizations" (tentative name) composed of heads of organizations in charge of policy evaluation at government institutions. In order to develop and guarantee human resources in charge of policy development, analysis, and evaluation, the MIC introduces measures<sup>14</sup>. The MIC must enhance clearing-house functions so that the public can easily access to information regarding policy evaluation. Each government institution and the MIC must investigate and conduct research on evaluation methods corresponding to the needs of each evaluation. The MIC and other government institutions review and revise guidelines for implementation, if necessary, by taking into account implementation stage of policy evaluation, trends in research and development of evaluation methods.

As these contents show, the national guideline for policy evaluation system is clearly designed in a way that is to be completed within bureaucracy, and successfully manages to get rid of any control from outside. The system, in fact, offers neither clear separation between performance measurement by bureaucrats and policy evaluation by political authority, or control from the third party, especially from the citizen. Final evaluation and expression of judgement are the competence of the MIC, which is an internal organization and one of the government institutions. The decision to make the MIC the final evaluation organ of performance of Ministries characterizes the authoritarian Japanese evaluation system.

The national guideline, despite its efforts for establishing performance measurement and policy evaluation, lacks any guarantee of co-governance with the citizen and thus denies the role of stakeholders in policy process. The current system shows that at the national level, the Japanese public management reform lacks the citizen empowerment and its advocacy, thus resulting in an uncompleted NPM, focusing

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<sup>14</sup> The measures are such as: 1) promote personnel exchange between government officials and private sector experts in the field of evaluation; 2) promote personnel exchange among officials in charge of policy evaluation; 3) devise mechanism to develop and guarantee necessary human resources from within and outside public sector.

only on managerial techniques.

## **2. Policy Evaluation Act**

“Japanese Policy Evaluation Act” was enacted on June 2001, following the "Standard Guidelines for Policy Evaluation", and was put into force on April 2002. The Act serves as framework and regulation of performance measurement and policy evaluation among Japanese governmental institutions.

The Cabinet issued “Basic Guideline for the Policy Evaluation” on December 2001 in accordance with this Policy Evaluation Act. This guideline<sup>15</sup> was decided by the cabinet meeting, after hearing opinions of different policy evaluation committees of Ministries and those of Independent Administrative Institutions (IAIs).

Continuous R & D is required in order to improve the system and in fact, each Ministry has been revising and modifying its own system every year. In fact, by 2006, some Ministries have been introducing and developing their own systems and there are now various systems implemented. This tendency has both positive and negative impact on the national comprehensive evaluation system, as these varieties of systems can better reflect the differences in functions and missions of Ministries and thus make the evaluation system more reliable, meanwhile the differences in indicators, measurement, and process, make the comparison among institutions more difficult and thus the comprehensiveness of the system fragile.

### **2-1. Introduction of Performance Measurement and Policy Evaluation**

From April 2002, all Ministries and Independent Administrative Institutions (IAIs) started to introduce the policy evaluation system. Each Ministry nominated Director General for Policy Planning, who is in charge of coordination of policies, development of performance management strategy, and implementation of policy evaluation system.

Each Director General for Policy Planning heads department in charge of this task. These departments are in charge of developing ministry-wide system of performance management under the concept of "management by objectives (MBO)",

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<sup>15</sup> The guideline covers wide range of issues, such as; 1) guideline for basic plans of Ministries; 2) guideline for improving policy evaluation system, 3) guideline for implementing policy evaluation system.

establishing the "policy management cycle" in every policy area, reviewing ministerial programmes in accordance with the Ministry's missions and goals, and evaluating outcomes of policies and programmes. All Ministries and IAIs appointed groups consisted of external experts on policy evaluation, as policy evaluation committees of Ministries and IAIs, and these are working together with the director generals and the departments on performance management.

All central governmental institutions are required to establish their own performance management system and conduct policy evaluation of all policies and programmes. The results need to be published and guarantee accountability of institutions, with free access from the public. Meanwhile the performance information should be utilized for policy management cycle to achieve "management by objections", and for the budgeting process. Efforts to introduce performance based programme budgeting can be seen in many organizations.

## **2-2. Public Sector Reform and Policy Evaluation**

Independent Administrative Institutions were established after the public administration reform of January 2001, which focused on central governmental organizations restructuring. Various Ministries and Agencies were merged among themselves, after revising their functions and missions. In accordance with these changes, IAIs were created and separated from the original organizations and became independent institutions. Thus, they were asked to revise and define their own mission, goal, and business plan by themselves and conduct their performance management. Now, each IAI has committee to evaluate their policy and performance.

However, the independence of IAIs is still merely a description on documents and need to be accomplished in order to be agencies. IAIs are still depending institutions under the responsibilities of respective Ministries. Although they have to implement their evaluation and report to the Ministries, there is no independence in terms financial resources, human resources, and policy management.

In the last five years, many IAIs were advised by their belonging Ministries and by MIC to become more independent in terms of financial resources as well as human resources, as previously they were heavily depending on the Ministries. This has not been an easy task for them, as the possibility to "earn" their own financial resources was limited by various ordinances and also by practice. For most of the IAIs, which used to be a part of Ministries or Institutions created by Ministries to conduct some function of the Ministries, their major (and often the only) client has been the Ministries. In these years, part of the IAIs decided to become more private, changing the status of their

employees, reducing the number of public servants working for those organizations. Part of the IAIs also changed completely their organizational structure, merged with other IAIs and conducted a radical rationalization, and some decided to cease their activities, as they were not any more sustainable.

The paper now focuses on a case, which represents national effort to establish policy evaluation system in accordance with the national legislation framework and with the public sector reform, which has been promoted by the present administration.

### **3. MLIT and its Performance Management Strategy**

The case to be presented here as one of the performance measurement systems introduced by national government institution is the Policy Evaluation System adopted by the Ministry of Land, Infrastructure, and Transport (MLIT). The Ministry was the first agency in Japan to introduce performance measurement system and has been leading the national policy evaluation trends<sup>16</sup>.

The Ministry established guidelines for the system and has been implementing it not only for its own organization, but also in order to measure performance of the Independent Administrative Institutions (IAIs) since April 2001 when they were established to downsize the central government organization. It is considered to be the leading case, because of its system itself and also because of its decision making process, which is open to public and been operated with advices of external experts and professionals. Here the paper describes the system, its background and latest development, its operational process and characteristics, and remaining issues.

Programme evaluation and policy evaluation of the system will also be discussed here. Social indicators have been developed in order to introduce and perform programme evaluation system. The system will be analysed in the framework of public sector reform of the last administration, which has been emphasizing downsizing of government, more efficiency, VFM (value for money) consciousness, and outcome orientation in public sector management.

The policy evaluation system in question is promoted by the Ministry of Land, Infrastructure, and Transport in Japan and has been continuously examined by a

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<sup>16</sup> Kudo, H., "Performance Measurement and Policy Evaluation in Japanese National and Local Governments", paper presented at "2<sup>nd</sup> Annual "Performance in Government" Conference", London, UK, September 27-28, 2001

committee in which the author of the paper takes part. The Ministry, which was born after the merger of four ministries, namely Ministry of Public Work (Construction), Ministry of Transport, Land Agency, Hokkaido (Northern Island) Development Agency, at the occasion of the central government structural reform of January 2001, started a project of constructing a performance measurement and policy evaluation system for the ministerial management cycle.

The taskforce in charge of constructing the policy evaluation of MLIT took the Guideline for Policy evaluation and the national efforts to make Performance Review Act into consideration and worked in line with these. Now, after the construction of the system and first implementation, the importance is given also to the accounting and budgeting cycle, and the taskforce is working to create a bridge to relate these two cycles.

### **3-1. The MLIT policy evaluation system**

The MLIT has developed a comprehensive policy evaluation system that includes performance measurement, programme evaluation, and public work re-examination. The system is designed to connect itself to the budgetary and accounting process, although there are some technical difficulties in utilizing the results of performance measurement in the budgetary and accounting process. Some issues are considered in the new performance measurement system<sup>17</sup>.

### **3-2. White Paper of the MLIT policy evaluation system**

The policy evaluation system of the MLIT is aimed to develop performance management strategy in order to improve its management cycle. In order to achieve the mission, goal, and management strategy of the organization, policy assessment analysis strategic goals and chooses new initiatives, while performance measurement sets targets and measure performance, and programme evaluation then evaluates programme outcome, so that can be utilized during policy assessment (policy evaluation).

Policy evaluation of the MLIT stresses the importance of outcome and suggests change from stressing procedure, which used to be a common practice among public

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<sup>17</sup> These issues includes: 1) all projects and plans are evaluated; 2) results of evaluation are utilized for policy making and policy management; 3) policy evaluation through necessity, effectiveness, efficiency; 4) performance measurement through outcome; 5) programme evaluation (policy review); 6) utilization of results from policy assessment, policy evaluation, performance measurement, and programme evaluation to the budgetary process; 7) linking policy making, management, evaluation and budgeting

institutions. “Management by the Objectives (MBO)”, policy evaluation system based on NPM, stress on performance driver, stress on policy analysis and policy assessment, are new to the latest report drafted by the taskforce.

When it comes to programme evaluation, much more systematic and structural approach is needed toward it, while the current policy on this regard is a moderate one compared to the aggressive strategy and measures taken to other standards. Recently, cases of Canadian government and that of US are analysed and are considered as models to Japan.

Assessment, analysis, evaluation of public work is an unique aspect of the MLIT policy evaluation and performance management system, however it is the starting point of its system and the most characteristic one. In last four years, 229 public work projects out of 8,511 were judged useless and were stopped completely, 69 were revised and modified partly or completely, some of them were stopped temporally.

Another effort that characterizes the MLIT performance measurement system is the stress on public involvement. For the first year (2001) of the introduction of policy evaluation system, the MLIT got more than 500 public comments from the public regarding the performance measurement (policy check up).

The Ministry is currently drafting a white paper on its policy evaluation and is announcing the target of establishing “strategic management cycle”<sup>18</sup>.

GPRA is examined and analysed, however, there is little application in the MLIT system. However, the possibility of BSC (Balanced Scorecard) is examined and highly recognized recently. When it comes to public involvement, different methods are analysed, and policy marketing is experimented in some cases, although it remains just an attempt.

For the fiscal year 2001, the MLIT implemented policy assessment on 38 new policies, policy objects check up on 27 policy objects utilizing 113 performance indicators, programme evaluation on 29 programmes.

Since then, as the second cycle of implementation, the MLIT policy evaluation system is challenging to be simple and effective, capable of reflecting the needs of the public and accountable at the same time. Utilizing the results of performance evaluation to the budgeting process is another remaining issue. The Committee published the

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<sup>18</sup> Strategic management cycle is designed through the process of; 1) forming strategy, 2) application, 3) evaluation, 4) feedback, 5) forming new strategy, and has objects as; 1) establishment of strategy, 2) reform of performance management, 3) preparing performance information, 4) review of performance, 5) version up of strategy with public involvement.

White Paper as annual report on performance measurement and policy evaluation.

The performance measurement and policy evaluation system of MLIT has been also strongly influenced by its Minister. At the time of introduction of the system, a veteran LDP (Liberal Democratic Party) politician was in charge of the Ministry and she was personally committed to the development of the system, from choosing projects to be evaluated to the evolution of the system itself. At the second cabinet reshuffle on September 22<sup>nd</sup> 2003, she was replaced by a younger LDP politician, who was making his way mainly with his support of the reform ideas of the Prime Minister Koizumi. As the result, he order to simplify the system, reducing the number of project to be evaluated and reorganizing the procedure. Then again, at the second cabinet reshuffle, on September 27<sup>th</sup> 2004, the Prime Minister replaced him with more experienced politician from the Clean Party (Komei Party), which is the major coalition partner of LDP. As a lawyer by education and a technically oriented politician, the actual Minister is less directly involved to the system evolution, but delegated more power to the public servants who were in charge of the system. Under his stable commitment, the system has been developing to be more practical and sustainable.

#### **4. Introduction of PFI and its Evaluation System**

Private Finance Initiative (PFI) is one of the strategies of project finance and is one of the structured finance strategies, together with asset finance, lease finance, M&A, and MBO (management buy out). Project finance has been introduced in Japan since the beginning of Nineties as concept, however has been implemented only recently, due to the lack of legal framework and the characteristics of Japanese business structure and monetary system.

Traditional business relationship in Japan depends much on personal and informal network and this also applies to its financial decision and investment. Meanwhile the project finance is managed according to managerial know-how and technical capability of the companies involved and relies on cash flow that the project itself generates, the traditional business process is managed mainly through faith and believes among enterprises and thus, less oriented for contracting the risk responsibility. In 1998, Development bank of Japan arranged the first project finance case in an Independent Power Producer project. Now project finance and PFI became more common, especially in order to manage the risk of the projects and to facilitate the investment.

#### **4-1. Background and Objectives of Introducing and Promoting PFI**

PFI has been introduced in the context of structural reform in Japan. The reform aimed to change the political, administrative, and economic system of the country, through deregulation, privatization, and various managerial techniques in the public sector.

To stimulate the Japanese economy, it is considered necessary to elicit private-sector vitality to the maximum extent, and to expand private-sector business by implementing regulatory reforms.

The Japanese public sector reform has been, and is characterized by; the government lead incentive packages, strongly business oriented initiatives, promotion of private sector participation, priority and best practice making at small scales, and pilot project oriented approach.

During the public administration reform in the 80s, promotion of private sector participation, so-called “vitalization of private sector” became one of the key strategies. Privatization and deregulation were implemented, mainly in order to liberate the market and stimulate the business activities rather than to reform the public sector itself. Regulation and deregulation have been both utilized as an instrument to stimulate private business in Japan as are described in regulatory capture theory.

Recently this tendency has been confirmed through NPM and other managerial techniques introduced in the public sector. PFI has been considered as one of these new strategies to vitalize the economy through private sector participation in public sector projects.

The main objectives of introducing PFI are;

- 1) enables reasonable and high-quality public service delivery,
  - 2) enables risk management,
  - 3) revises the role of government in public service delivery,
  - 4) vitalizes economic activities through private sector participation,
- through following principles;
- 1) to be public service,
  - 2) to utilize private managerial resources,
  - 3) to realize effective and efficient implementation,
  - 4) to be fair in choosing private partners,
  - 5) to guarantee transparency throughout the process,
  - 6) to be objective in evaluation,
  - 7) to clarify every details in contracts,

8) to maintain the independence of the institution and finance.

#### **4-2. Framework and Outline of the Law on PFI**

PFI has been introduced in Japan since the enactment of the Law N.117 of July 1999 (PFI Promotion Law), which has been modified by the Law N.160 of December 1999, Law N.151 of December 2001, the Law N.45 of May 2002, and then finally by the Law N.132 of July 2003.

The PFI Promotion Law, or the Law for Promoting Public Facilities Construction through Private Financial Resources, was enacted on July 30, 1999. It has been modified then on December 22, 1999, on December 12, 2001, May 29, 2002, and July 30, 2003.

In order to facilitate the implementation, the Committee for the Promotion of PFI, which was established on October 1999 with its 19 members, discussed and prepared the “Basic Guidelines” and this was adopted by the Prime Minister in March 2000. After the decision of the Basic Guidelines, the Committee continued to work to issue specific guidelines for each aspect as follows;

- 1) Guideline for the PFI implementation process (January 2001)
- 2) Guideline for the risk management of PFI (January 2001)
- 3) Guideline for VFM (Value For Money) (July 2001)
- 4) Guideline for the contract (June 2003)
- 5) Guideline for the monitoring (June 2003).

The Committee issued a report on the actual situation of PFI implementation on June 2004. This report is a middle term report of the activities of the Committee. There are early PFI projects, which implementation strategies were decided and published to the public in 2000 or in early 2001, chosen the winner, completed the construction, and started to operate, providing services. There are also recent cases, which implementation policies were just published, whose winners are still unknown, or whose winners have not yet signed to the administrators.

#### **4-3. Basic Measures regarding Implementation of PFI**

In order to promote PFI, the Committee for the Promotion of PFI has introduced a series of measures. To facilitate the implementation, the Committee discussed and prepared the “Basic Guidelines”. These guidelines are introduced to facilitate the PFI implementation at each stage.

For example, the Guideline for the PFI implementation process defines how actors should precede the process, including timing and organizational concerns. The

Guideline for the risk management of PFI is one of the most essential one, as risk management is not yet diffused in public sector, but is one of the key characteristics of PFI. However the evaluation of risk is also one of the most difficult issues to be solved.

The concept of VFM, which appears in the Guideline for VFM, is also included in the Guideline for the PFI implementation process, as it is essential to identify VFM in introducing the PFI. However the assessment and evaluation procedure is so complicated that the Committee decided to dedicate a separate guideline. Yet this is one of the points of argument in implementing PFI in Japan. Some projects are in fact, criticized for the lack of VFM.

The Guideline for the contract may sounds strange in other circumstances, however in Japanese context, where even private enterprises rely much on personal and informal relationship and exercise businesses without specific contracts, stress on contract has an important meaning. This aspect is also strongly connected to the risk management.

The Guideline for the monitoring has become important recently, as many PFI projects have reached their final stage. Evaluation method, indicators, and measures are becoming more and more important, as the need for accountability has been increasing. The evaluation of PFI projects has just started and it is probably too early to make a judgment. It involves many aspects, including the experimental evaluation systems previously introduced in local governments.

## **5. Experiment of “Governance” Model: Case of Setagaya Ward**

Almost 80 % of the 47 prefectures (provinces) and major part of the municipalities (1,820 as for April 1<sup>st</sup> 2006) introduced or are now going to introduce performance measurement and/or policy evaluation system. Most of those still deal only with performance measurement but some have already introduced policy evaluation and/or programme evaluation.

Some municipalities enacted special charters or regulations, most issued guidelines in introducing their system. This nation-wide movement of local governments is rather independent from the national effort to establish legal framework for policy evaluation system, although the impact of Policy Evaluation Act cannot be ignored.

The case to be presented here is an experimental performance evaluation system, which has been developed in Setagaya Ward (municipality level local government) in

Tokyo Metropolitan Government (provincial level). The municipality introduced some years ago, one of the most developed performance measurement system among municipalities utilizing ICT, however, they are now constructing a new system, which focuses on the role of public sector and its partnership with private sector, NPOs, and citizen.

The new system has been introducing the concept of "governance" in measuring performances and its indicators measure the possibility of outsourcing, citizen participation, and various forms of partnership. Projects are classified into three categories<sup>19</sup>. They classify projects in accordance with human resource management, financial resource management, and long-term public sector reform plan (Public Administration and Public Finance Reform Plan) of the municipality. This experiment is analysed in this paper as an example of new trend in performance measurement system, and public sector reform.

### **5-1. Performance Measurement System utilizing ICT**

This case is unique and an interesting example. The project began first as an introduction of ICT in the municipal administration in order to improve management of office works, decision-making process, and quality of public services offered to the citizens<sup>20</sup>.

Then, the taskforce in charge of examining the process of public administration reform (in which the author takes part) pointed out several managerial problems, including how to utilize the performance measurement system, how to relate it to the management cycle, and then to the accounting and budgeting system. Now the project is working to develop a comprehensive management cycle of the municipality utilizing the existing performance measurement system.

The municipality has developed its performance measurement system to be utilized through local area network of its office. The initial idea was to build a database of information and related data according to the hierarchy of policy-programme-project, or to the organizations. This enables the policy makers to gather, analyse and compare information more easily and effectively. It also enables the public servants and citizens

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<sup>19</sup> The three categories of projects and tasks are: which need public sector involvement; which might be outsourced or need partnership; and which have to be passed to private sector completely.

<sup>20</sup> Kudo, H., "Performance Measurement and Policy Evaluation in Japanese National and Local Governments", paper presented at "2nd Annual "Performance in Government" Conference", London, UK, September 27-28, 2001

to share information and data, thus guaranteeing transparency and accountability of public service. The database can be utilized as materials for management of cost and performance, which then turn to be materials for strategic management and/or performance based programme budgeting.

The difficulty lies mostly in the fact that the construction of the database itself is not easy, that the system is often not fully utilized, and that the database is not connected to the budgeting process.

However, the experimental combination of performance measurement system and eGovernment policy in this municipality has been suggesting various possibilities. Its performance measurement system is user friendly compared to the traditional one, because the performance information and evaluation results can be referred to the electronic database system. This guarantees accountability and transparency of public service and the policy evaluation system itself<sup>21</sup>. Many local governments, that previously introduced performance measurement systems, had been suffering from the exhaustion of implementing the system, meanwhile, use of ICT in this municipality enabled policy makers to utilize the policy evaluation results through the eGovernment network system.

## **5-2. From Performance Measurement to Policy Evaluation**

However, instead of investing in improvement of the existing performance measurement system and the network, this direction of “informatization” has been abandoned, and a new policy evaluation system with performance indicator, which reflects “governance” concept, has been introduced since 2001.

Since the introduction of performance measurement system on September 2000, the municipality has focused on the administrative tasks and/or single projects as evaluation objects. For the fiscal year 2000, the municipality implemented programme evaluation of all 2,398 tasks and/or projects in that local government. After examining the results and their application to the policy making process, they decided to modify

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<sup>21</sup> Kudo, H., “Una riflessione sullo sportello unico: dopo le prime esperienze italiane e casi di avanguardia di Singapore”, in Bianchi M.(a cura di) *L'intervento degli enti pubblici per la valorizzazione della competitivita' dei sistemi locali*, Societa' Editrice Il Ponte Vecchio, 2001, Kudo, H., 'eGovernment Trend in Asian Comuntries: Introduction and Utilization of IT for managing Organizations and providing Public Services, from Performance Measurement to new Budgeting and Accounting System' paper presented at "IIAS 25th International Congress of Administrative Science", Athens, July 9-14, 2001

the system for the fiscal year 2001. Some significant changes took place<sup>22</sup>.

The basic strategies can be classified into 6 fields according to the long-term strategic plan of the municipality. These 6 groups of strategies are divided into 21 policies. Then these 21 policies are articulated into 77 programme directions, which are implemented through 241 programmes. The administrative tasks and projects amount to 2,685.

On September 2001, the municipality introduced the balance sheet as well, and they have elaborated it further.

In 2003, they choose a new Mayor, after more than 20 years of rule of the previous Mayor. This brought a significant change to the policy evaluation system as well, as the new Mayor came into power with electoral Manifesto, through which he wanted to answer directly to the inhabitants. He ordered to reorganize the existing policies, programme directions, and programmes into a new cluster to fit to his Manifesto. Then a new committee was founded to monitor the performance evaluation system implemented internally. Given the limited time and manpower, the committee then decided to focus only on the “political” issues raised by the Mayor in advance. During these last years, the municipality has been changing the focus on its policy evaluation system, thus the “governance” concept has remained as the very first stage of its concept. The concept has not been abandoned, however the recent performance measurement uses more traditional indicators.

#### **4-3. “Governance” Concept as Performance Indicator**

The policy evaluation system of Setagaya Ward, which represents those unique experiments by Japanese local governments, has been trying to introduce concept of "governance" in measuring their performance. They are now developing a new system, which focuses on reviewing the role of public sector and seeking its partnership with private sector, NPOs, and civil society.

The current situation of subjects providing public services can be conceptually described in the figure 1 here below.

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<sup>22</sup> These changes are the follows: 1) grouping of 2,685 tasks and/or projects into 241 programmes (group of projects), 2) introduction of “governance” concept as performance indicator to evaluate projects, 3) introduction of human cost analysis, 4) change of standards of evaluation from “efficiency”, “effectiveness”, and “continuity”, to “necessity”, “effectiveness” and “efficiency”, 5) change of the name of the system from “performance measurement system” to “policy evaluation system”.

municipality	community
	market

Figure 1, Actual Situation

Meanwhile, according to the concept of “governance”, this relationship of subjects should be changed as shown in the figure 2.

municipality	community
	market

Figure 2, Ideal Situation

The new policy evaluation system has been introducing the concept of "governance", or so-called “new public” in measuring performances and its indicators deal with the possibility of outsourcing, citizen participation, and different forms of partnership between public and private. Projects and tasks are classified into those: which need strong and direct public sector involvement also in the future; which might be outsourced or need partnership; and which have to be passed completely to private sector as soon as possible. They classify projects in accordance with human resource management, financial resource management, and long-term public sector reform plan of the municipality. This experiment is analysed here from the points of view of new trend in performance measurement system and that of public sector reform.

The municipality launched this experiment of “governance” model recently after implementing several cases of collaboration among public sector, citizen, local business, and NPOs in providing its public services of specific fields. The idea of ”governance” is: 1) to rationalize public sector performance, 2) to reduce cost, and 3) to empower

citizen, NPOs. The concept includes introduction of new patterns of partnership in public domain, including the reviewing of this “public domain” itself. This is parallel to the “reinventing government” process. Moreover, “governance” concept can be delivered from the reviewing of public domain. As “governance” model has been introduced in order to implement public sector reform, the performance information of this performance measurement system is expected to become important resource to classify performances using criteria like “partnership” and “governance”. All projects are now classified for the future reform of this municipality.

In fact, the policy evaluation for the fiscal year 2001 was the first attempt to use “governance” concept as performance indicators. Thus all 2,685 tasks or projects are classified into three categories<sup>23</sup>.

Further classification according to the partner of the public can be added to these “governance” indicators and makes a matrix-typed classification. The two divisions are;

- 1) projects and/or tasks, that the public sector should collaborate with non profitable organizations,
- 2) projects and/or tasks, that the public sector should collaborate with private business.

Thus, some of the projects and/or tasks, which are classified into the former categories of No.2 and No.3, can be classified further into two categories each.

	1	“governance”	3
NP 1	community plan	support voluntary movement community environment protection	community university
NP 2			support small business support elderly people

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<sup>23</sup> The projects and tasks were classified into: 1) 1,736 (64.7%), which still need strong and direct public sector involvement; 2) 797 (29.7%), which might be outsourced or need partnership with private sector (private business and/or NPO); 3) 140 (5.2%), which have to be passed completely to private sector as soon as possible. The remaining 12 projects are those, which concluded by the fiscal year 2001.

Figure 3, Classification and Examples

This “governance” model can be useful when applied to the PDCA cycle of management. In fact, those projects, which classified into No.2 and No.3, can be reviewed at the “check” and “action” (or “see”) stages, according to the citizen partnership and/or private involvement in general. The new system suggests the possibility of market orientation in public management, and can be considered as an advanced form of NPM.

## **6. Conclusion**

In conclusion, it will be summarized the developing situation of policy evaluation system with various directions; those in accordance with public sector reform, those in accordance with national legal framework and need for improving system, and those in accordance with NPM model, and/or “governance” model.

The case of the MLIT represents the mixture of the first two directions, which realizes policy evaluation system that reflects changes in organization caused by the recent public sector reform and, at the same time, that meets standards and requirements set by the “Policy Evaluation Act”.

Meanwhile, the case of Setagaya Ward represents the last category, which introduced “governance” model. This can be considered as a more elaborated mechanism of NPM model in public management. While the NPM model introduced the concept of private business (management) and its business model into the public sector organization and its management, so that it focuses only on the public sector activities and its improvement, the “governance” model focused the relationship between public and private in the society, so that it focuses first on the revision of this relationship and their role and functions. Private sector, private business, NPOs, and individual citizens are considered as partners and included into the revision process in the “governance” model. Under this concept of “governance”, public involvement is guaranteed from the initial stage and enables more participation. The difference between NPM oriented system and that “governance” model can be classified through those indicators.

In Japan, NPM has been introduced from its Anglo-Saxon experiences and implemented in its own unique manner since late 90’s. The critical situation of public

finance, urgent need for public sector reform, and political instability lead to two extreme options; one was the self-reforming effort of bureaucracy, and the other was the citizen empowerment and its pressure on bureaucracy. The first option managed to result in reorganization and restructure of administrative institutions to a certain extent, and in establishment of legal framework and operational system for performance measurement and policy evaluation.

NPM was introduced into the traditional type of public administration and changed its managerial style with its series of techniques delivering from business management. Customer oriented and/or outcome oriented thinking has been introduced in policy-making and implementation process. Reform in public service delivery, affected by these orientations, forced public sector organizations to outsource some of its functions, privatize its enterprise, and revise the role of government in accordance with the role of private sector and civil society. PPP, PFI, other forms of collaborations implemented became alternatives to traditional government re-structuring. This trend is now evolving into the “governance” model of government.

Establishment of legal framework was one of the results of national efforts for policy evaluation, which is considered to be one of the most important aspects and instruments to realize NPM in Japan. However, the national legal framework for policy evaluation and its operational system are designed to be completed within bureaucracy, and manage to get rid of any control from outside. The system offers neither clear separation between performance measurement by bureaucrats and policy evaluation by political authority, or control from the third party, especially from the citizen. In fact, final evaluation and expression of judgement are the competence of the MIC, which is an internal organization and one of the government institutions. The decision to make the MIC the final evaluation organ of performance of Ministries characterizes the authoritarian Japanese evaluation system.

The national legal framework, despite its efforts for establishing performance measurement and policy evaluation, lacks any guarantee of co-governance with the citizen and thus denies the role of stakeholders in policy process. The current system shows that at the national level, the Japanese public management reform lacks the citizen empowerment and its advocacy, thus resulting in an uncompleted NPM, focusing only on managerial techniques.

Meanwhile, some interesting efforts can be found out at sub-national level. Almost all of the prefectures and major part of the municipalities have already introduced or now are going to introduce performance measurement systems. Some of these show ideas to realize co-governance. Although most of those deal only with

performance measurement, some have already introduced policy evaluation and/or programme evaluation. Some advanced municipalities enacted special charters or regulations, most issued guidelines in introducing their system. Those charters show, in fact, efforts to introduce a kind of citizen's charter and are one of the most interesting experiments among the local governments to realize NPM in its original sense, as they try to guarantee the control of stakeholders and thus enabling the advocacy of the citizen.

This nation-wide movement of experimenting performance measurement and/or policy evaluation by local governments is rather independent from the national effort to establish legal framework for policy evaluation system. It is these local government movements that are actually leading the nation's trend in this field. One of these interesting experiments is that of introducing "governance" model, or so-called "Atarashii Kokyo", in a Japanese suburban municipality. This case represents recently developed "governance" model in local governments, trying to introduce concept of "governance", redesigning the public domain and trying to establish a partnership in providing public services and in measuring their performance.

The system of Setagaya Ward in Tokyo is considered as one of the examples of "governance" model and of new performance evaluation system among Japanese municipalities. They are now developing a new system, which focuses on reviewing the role of public sector and seeking its partnership with private sector, NPOs, and civil society. The new system has been introducing the concept of "governance", or so-called "new public" in measuring performances. Its indicators consider the possibility of outsourcing, citizen participation, and different forms of partnership.

The municipality introduced this "governance" model recently, after implementing several projects of collaboration among public sector, citizen, local business, and NPOs in providing its public services of specific fields. The concept refers to the introduction of new patterns of partnership in public domain, including the reviewing of the "public domain" itself.

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