ADMINISTRATIVE REFORM EFFORTS IN JAPAN: CURRENT EXPERIENCES AND SUCCESSES

At the outset of the 1980s, Japan was subjected to increased public demand to eliminate the massive fiscal deficits of the country. This was the result of a long period of slow economic which began in 1973 when the country was hit by an unexpected oil crisis. The administrative system had expanded rapidly during the high-growth periods from late 1950s to early 1970s and an increasing proportion of Japanese citizens wanted the Government to undertake a substantial overhaul of public administration from an integrated and long term perspective as a critical measure to alleviate the problem.

Against this background, the Second Provisional Commission on Administrative Reform (PCAR) was established in 1981. PCAR tried to implement administrative reform while conforming to a basic posture of “public finance reconstruction without a tax hike.” In resolving the issue, PCAR proposed several measures for administrative reform, including basic reconsideration of systems, policies and spheres of administrative responsibility.

As a concrete follow-up to PCAR’s report, the Provisional Council for the Promotion of Administrative Reform (PCPAR) was convened during three different periods over the next several years. Each meeting resulted in proposals to create systems which would promote future administrative reform. These programmes delineated a basic direction for administrative system reform into the 21st century.

Since this time the Government has considered administrative reform one of the most important issues facing the nation’s public administration. It has put the utmost priority on the PCPAR reports. It has determined specific policies (the Fundamental Principles of Administrative Reform, decided in advance of the preparation of a draft budget at the end of each year) to guide implementation of reforms. Moreover, the Government has submitted necessary legislation to the Diet (the Japanese legislature) and revised administrative ordinances based on these policies.

Some of the major results since the establishment of PCAR (from 1981 to 1997) include: (1) privatizing three major public corporations such as the Japanese National Railways; (2) eliminating 45,388 positions in the national government; (3) strengthening of overall coordination mechanisms (e.g., establishing the Management and Coordination Agency in
1984); (4) reforming the public pension system and other such systems; (5) ending the reliance on deficit-financing bonds in fiscal 1990; and (6) enacting and implementing the Administrative Procedures Law.

In recent years, the Government has also been steadily and systematically implementing administrative reform in the midst of foreign and domestic environmental changes such as the shift to stable economic growth, a rapidly aging society, and the increasingly international prominence of Japan.

The second Hashimoto Cabinet, formed on 8 November 1996, has pledged to carry out a series of reforms including administrative, restructuring of the economic system, monetary management, social security, public finance and educational policy, and has made administrative reform its top priority. The Hashimoto administration hopes to initiate administrative reform at the earliest possible date.

The Administrative Reform Council, headed by the Prime Minister, was established on 21 November, to examine how the central ministries and agencies should be reorganized and make a concrete proposal for the reorganization. On 25 December 1996, the Cabinet decided on an administrative reform programme to be enacted between Fiscal 1997 and Fiscal 2000. In the past, the government had adopted only one-year administrative reform plans each year. The Administrative Reform Programme ranges from reorganizing central ministries, to reviewing public corporations, to deregulation. In the Diet, administrative reform issues are the most controversial agenda items. The ruling party and the opposition parties are making various proposals to reform the government.

Since the total value of national bonds outstanding reached approximately ¥241 trillion at the end of fiscal 1996, the Government of Japan now faces an extremely difficult financial situation. Specific measures are being examined by the Fiscal Structural Reform Conference, an informal body organized by the Prime Minister, to achieve the fiscal consolidation target. After the Conference prepared a set of guidelines the Cabinet approved a plan for fiscal structural reform on 3 June 1997.
1. Administrative reform: context, goals and priorities

A. Basic guidelines for administrative reform in Japan

(1) Four basic guidelines

The Second Provisional Commission on Administrative Reform (PCAR) offered four basic parameters for administrative reform: (1) coping with the changing domestic and international environment; (2) ensuring comprehensiveness; (3) achieving greater efficiency and simplification; and (4) assuring the trust of the people. Recent administrative reform measures have taken these guidelines into account.

The Management and Coordination Agency was established to ensure comprehensiveness, that is to say to strengthen the comprehensive co-ordination functions of the government. Reducing the number of government personnel and improving management of public services have been the measures implemented to achieve greater efficiency and simplification. To assure the people’s trust in public administration, an “open government” through disclosure of government information and “due process” based on a system of administrative procedures should be realized soon.

(2) The Administrative reform programme

On 25 December 1996, the Cabinet decided on an Administrative Reform Programme to be enacted between fiscal 1997 and fiscal 2000, with a target date for each specific administrative reform issue. At the same time, the Programme was designed to explain to people in laymen’s terms the purpose and types of intended reforms, thereby facilitating understanding about when the reforms will be implemented and how they will be carried out.

The Programme declared four objectives focusing on the relationship between the people and public administration. These four objectives were:

1. to create a simple and efficient public administration that is able to respond to a new age;
2. to realize a public administration which allows people to act on their own initiatives;
3. to establish a public administration that is open to and trusted by the people; and
4. to provide people with high-quality public services.

In the past, the Government adopted one-year administrative reform plans each year. The new Administrative Reform Programme ranges from reorganizing central ministries, to reviewing public corporations, to deregulation while addressing the overall goals of the Programme.
Administrative reform activities included in the Programme are:

1. reforming central ministries and agencies;
2. rationalizing administrative organizations;
3. reducing and rationalizing public corporations and the like;
4. inspecting administrative units;
5. managing personnel;
6. rationalizing subsidies;
7. promoting deregulation;
8. promoting decentralization;
9. reviewing the division of responsibility for the public and private sectors;
10. promoting disclosure of government information;
11. recovering trust in the administration and in civil service;
12. reducing the burden on the people related to applications and other procedures;
13. promoting the use of advanced information technologies in public administration.

(3) The fiscal structural reform plan

The Government of Japan had to issue ¥21 trillion in national bonds, including massive issues of special deficit-financing bonds, in its fiscal 1996 initial budget and the total values of national bonds outstanding reached approximately ¥241 trillion at the end of fiscal 1996. Japan’s fiscal situation has deteriorated to the point of crisis and has been termed the worst of any leading industrial country.

To project the medium-term picture of the Japanese economy and society, the rapid and serious change in the demographic composition will significantly affect the fiscal situation. A simulation conducted last December by the Economic Council, a government advisory body, showed that the potential national burden rate would exceed 70% if the country maintained the current fiscal and social security systems. In this simulation, the social security fund would touch bottom before 2025, when the general government would have a fiscal deficit reaching 15 percent of GDP and the balance of debt would amount to 153 percent of GDP.

On 19 December 1996, the Cabinet approved the fiscal consolidation target. It stipulated that:

- the national and local public-debt-to GDP ratio should be brought down to three percent or less and a structure achieved in which the ratio of public debt outstanding to GDP does not increase;
- these targets should be achieved as soon as possible and no later than fiscal 2005; and
the Government should break its dependence on special deficit-financing bonds and seek to reduce its dependence on national bond issues as soon as possible and no later than fiscal 2005.

Since January 1997, specific measures have been examined by the Fiscal Structural Reform Conference to achieve the fiscal consolidation target. The Conference approved five principles of fiscal structural reform at its fourth meeting in March. The main content of the five principles are:

- the current target date for the fiscal structural reform is the year 2003;
- the remaining three years of this century are designated as a period of concentrated reform, during which reform and reduction of spending are made with no sanctuary and specific quantitative targets are to be set for major expenditure programmes;
- for the projected fiscal 1998 budget general expenditures are to be lower than those of fiscal 1997;
- all the long-term programmes are to be reduced; no new long-term expenditure programme is to be set up; and
- the rate of national burden should not exceed 50%.

After intensive deliberation based on these principles, the Conference prepared a set of guidelines for fiscal structural reform. Based on these guidelines, the Cabinet approved a plan for fiscal structural reform on 3 June 1997. The items included in the Cabinet decision are:

- **Social security programmes**: reduction of more than ¥500 billion in the fiscal 1998 budget; fundamental review of social security systems to achieve an appropriate and equitable balance between entitlements and obligations.
- **Public works**: three-year-extension of the planning period for the *Basic Plan on Public Investment*, reduction of ¥130 trillion during ten-year-period, more than seven percent reduction of public investment spending in fiscal 1998 budget.
- **Defence**: 1998 defence spending should be less than the 1997 budget level.
- **Official Development Assistance**: more than ten percent reduction in the fiscal 1998 budget.
- **Subsidies**: abolishment and rationalization of subsidies.

Moreover, the government will prepare a bill for fiscal structural reform in accordance with this Cabinet decision and submit it to the Diet at its next session. Thus, the Government of Japan will take a new legislative approach to cutting down government spending.
(4) The basic plan for computerization of the government

Administrative needs have diversified progressively in recent years and people are increasingly seeking administrative measures that are responsive to these needs, resulting in a steadily rising demand for better public services. At the same time, the public finance situation continues to be serious, with strong demands for rationalization and greater administrative efficiency coupled with responsiveness to change and maintenance of a comprehensive public administration.

In this circumstance, administrative information systems, focused mainly on utilizing computers and communication technologies, have become progressively more widespread and advanced in recent years, playing an important role in promoting greater rationalization and efficiency in administration. Information systems have also helped provide support for determining, planning and drafting public policies. In fact, the Provisional Council on the Promotion of Administrative Reform stated in its final report (October 1993) that it is necessary to establish a plan to introduce rapidly advancing computer and communication technologies into government to improve the efficiency and economy of the public administration and at the same time provide the public with better service.

Taking this suggestion into consideration, the Cabinet decided in February 1994 to establish a plan to introduce computer and communication technologies. The Basic Plan for Computerization of the Government was adopted subsequently at a Cabinet meeting in December 1994. It is a five-year plan with its first year set in fiscal 1995. Under the Plan, a joint action programme was established with the approval of every ministry and agency. Based on the joint action programme, ministries and agencies designed their own programmes.

At the end of fiscal 1996, the number of personal computers (PCs) newly in use during fiscal 1995 and 1996 was 29,459 with the allocation rate of PCs per person at 1.20 in the head offices. Head offices of 24 ministries and agencies out of 25 had constructed LANs (local area networks). The Inter-Ministerial Council on Government Information Systems, composed of heads of the secretariats of ministries and agencies, approved in June 1996 a development plan for a wide area network (the Kasumigaseki WAN) which connects ministries and agencies to facilitate information exchange. After necessary preparatory work, the Kasumigaseki WAN went on-line in January 1997. Thus, the government is now constructing the physical infrastructure to utilize advanced information technologies, such as equipping civil servants with PCs and establishing LANs.

The final objective of the Basic Plan for Computerization of the Government is the active use of this equipment to improve the quality of public service and to make the public administration more efficient and effective. In this context, it may be said that computerization of the government has just begun.
B. The Government of Japan

(1) Fundamental Structure

The principle of separation of powers underlies the organization principles of Japan’s central government. National power, based on the concept of sovereignty in the people, is separated into the legislative, judicial and executive branches. The Constitution of Japan stipulates that legislative power is vested in the Diet, which is the highest organ of national power.

Executive power vested in the Prime Minister’s Cabinet is separately maintained by each minister. Responsibility for administrative affairs is divided among the ministers. A minister who is responsible for given affairs holds ultimate decision-making power for those affairs. The Prime Minister doesn’t have a legal right to reverse the decision made by a minister. If the Prime Minister wants to reverse the decision, he/she can do so by dismissing the minister and appointing a new one. But in reality, such an event seldom happens. Even in a one-party Cabinet the Prime Minister depends on the power balance among internal factions of the ruling party. Thus, it is not an easy thing to dismiss a minister. Only 3 ministers have been dismissed since 1945.

(2) Role and status of public corporations

At the state level, public corporations include state enterprises and special corporations. State enterprises are directly operated by the Government. Examples of state enterprises are the Postal, Savings and Insurance Services by the Ministry of Posts and Telecommunication, National Forestry Services by the Ministry of Agriculture, Forestry and Fisheries, and Printing and Mintage Services by the Ministry of Finance. On the other hand, special corporations are independent entities established either directly by law or by committees of government appointment. A public corporation is established primarily when particular activities are better managed as a profit-making enterprise, when efficient performance is more likely to be achieved than it would be under direct operation by a national government agency, or when more flexibility in financial or personnel management is required than is normally possible under the laws and regulations pertaining to government agencies. There are 87 special corporations at present because of current rationalization efforts.

At the local level, public corporations include local government enterprises, local special corporations and third sector enterprises. Local government enterprises are local versions of state enterprises. Water services, railroad services, gas supply services and hospital services are typical local government enterprises. Local special corporations are established by law like special corporations at the national level. Typical services of these corporations are housing supply, land development and road construction. The third sector enterprises
are in nature private organizations with capital contributed by local governments. These entities are in charge of various activities such as urban development, development of the tourist industry, supply of social services and protection of the environment.

Many public corporations were established after the World War II, particularly in the period of rapid economic growth from the late 1950s to early 1970s. The historical development of public corporations at the state level is particularly instructive.

From 1945 to 1955, some state enterprises were reorganized to become special corporations. Examples of this are the Japanese National Railways and Nippon Telegraph and Telephone Public Corporation. During this period, major public finance institutions were established: People’s Finance Corporation, Japan Development Bank, Export-Import Bank of Japan, Housing Loan Corporation, Agriculture Forestry and Fisheries Finance Corporation, and the Small Business Credit Insurance Corporation. The following comparatively big corporations were also established during this period: Japan Raising Association, Electric Power Development Co. Ltd., Kokusai Denshin Denwa Co. Ltd., and Nippon Hoso Kyoukai.

The next decade saw expansion of government activities to cope with increasing demands from the people. Many corporations were created based on a wide range of objectives: installing social capital, developing science and technologies, promoting domestic industries, ensuring employment, promoting social welfare, promoting welfare of employees, and promoting international co-operation. For example, the major corporations established during this period were Japan Highway Public Corporation, Japan Housing Corporation, Japan Atomic Energy Research Institute, Japan External Trade Organization, Employment Promotion Corporation, Labour Welfare Corporation, and the Overseas Economic Co-operation Fund.

As a result, the total number of special corporations reached 99 by the end of fiscal 1964. The rapid increase in the number of special corporations forced the government not only to review the necessity and adaptability of these corporations and their function but also to try to consolidate and rationalize the corporations as part of the effort to simplify and streamline public administration. For this reason, the Government began in 1963 to examine requests for new special corporations as a part of the budget preparation process.

During the period from 1965 to 1975, social problems such as environment pollution and population concentration in major cities occurred because of rapid economic growth. To cope with this situation, the Japan Environment Corporation, Japan International Co-operation Agency, National Space Development Agency of Japan, New Tokyo International Airport Authority and other entities were established. In addition to the budget scrutiny mentioned above, the Government moved toward using a “scrap-and-build” principle in the establishment of new corporations.
Since 1975 Japanese economic growth has been slow and the Government has suffered huge budget deficits. The Government attempted to reconstruct public finance without a tax hike. It moved toward privatization, consolidation and abolishment of public corporations, taking account of the reports and recommendations of governmental advisory bodies on administrative reform, especially those of the Second Provisional Commission on Administrative Reform.

Since 1985, three public corporations (the so-called “Big Three”), Nippon Telegraph and Telephone Public Corporation, Japan Tobacco and Salt Public Corporation and Japanese National Railways have been privatized. Others such as Japan Air Line, the Tohoku District Development Co. and Okinawa Electric Power Co. Ltd. in which the Government owned most or controlling shares have also been privatized completely. Privatization of the three major public corporations has rationalized their business operations and made them more efficient. The process has also seen the initiative of both management and labour brought into full play.

The total number of special corporations remained constant from fiscal 1967 on, and during the decade from 1975 to 1985 began to fall. From the peak of 113 special corporations in fiscal 1975, the net total of such corporations decreased by 26 to 87 by the end of fiscal 1996.

There is in Japan a long-term shift from state enterprise to special corporation and from special corporation to state-owned private enterprise or purely private enterprise. This is not like the case of the United Kingdom where the industries are privatized when the Conservative Party has ruling power and they become state-owned when the Labour Party forms the government.

(3) Public-private relations

With the development of the national economy and society, the people came to demand that government carry out many functions under the concept of a welfare state. To cope with these demands the scope of government activities was greatly broadened. For example, it began to shoulder activities that had been abandoned by the private sector because they generated little of no-profit, or it began to regulate the activities of the private sector to foster/protect a certain industry/business, ensure the sound growth of industries and consumers’ interest, or secure the safety and health of groups like consumers and workers.

It should be noted that in Japan during the post-World War II period of development government regulations contributed greatly to achieving various policy targets such as ensuring the supply of indispensable consumer goods, stabilizing commodity prices and rearing domestic industries.
Most of the government rules which regulate the present system and framework of the Japanese economy were established soon after World War II or during the period of high economic growth from late 1950s to early 1970s.

Now, Japan has climbed into the highest rank of nations. There is a need to re-examine the existing regulations which prevent individuals from gaining wealth, which limit choice for no reason and which obstruct the entrepreneurial spirit. The new world order has developed since the Cold War ended and it has driven the international community into intense global competition following market principles. With corporations becoming increasingly free to choose the country in which they operate, national governments are scrambling to reform their systems to maintain growth and secure employment. If Japan fails to change its high-cost structure and establish new open and more transparent systems, its industries and markets will inevitably lose their competitive edge. In this context, deregulation measures have been inserted into the nation’s major policy agenda.

(4) Inter-governmental relations

After the Meiji Restoration of 1868, the Meiji Government established a highly centralized government system with central government at its summit. Prefecture governors were appointed by the State. At the same time it entrusted the management of miscellaneous local affairs to local governments to lighten the burden of the State. The municipal governments could dispose of any local matters occurring in their areas on their own initiative as far as their activities were within the limits of supervision of the State and did not contradict existing laws, rules and procedures. In most of the legislation concerning local matters, important functions and powers were retained by the State.

The local government system in Japan was restructured greatly under the political, economic and social reforms which followed World War II. The main changes can be summarized into three points: (1) prefecture governments were changed from the agents of the State to completely self-governing local governments, (2) a direct election system of chief executives was adopted for both prefectures and municipalities and (3) the Ministry of Interior, which supervised local governments in the pre-war period, was reorganized into several agencies.

Thus, the system was democratized and decentralized significantly. However, the post-war reform did not completely convert the local government system into the decentralized type found in Anglo-Saxon countries. It has continuously borne the responsibility of ambiguously melding the duties and authorities of central government and those of local governments. The following facts demonstrate this point.

- Authorizations to local governments are still made by the general exemplification method, not a limited enumeration method.
· Heads of local governments are entrusted to implement central government functions under the control of competent Ministers of State. To the extent that governors or mayors act as agents of the central government, they are part of the central government, not the heads of their own local governments.

· A hierarchical structure of command has been maintained between prefectures and municipalities.

Under the present system, the executing functions of a very wide range of administrative duties are delegated to local governments. Thus, local governments in Japan have considerable importance in the government system as a whole. The number of civil servants of local governments represents 75% of all civil servants and expenditures by local governments accounts for 70% or more of the all public expenditures.

While they have a great deal of political independence, local governments do not enjoy as much financial independence. There is a great difference between their annual independent revenue and annual expenditures. This difference is covered by the transfer of financial resources from the central government by such means as local allocation taxes, local transfer taxes and subsidies from the national treasury.

The means used to execute most administrative duties are regulated in detail by laws, orders and notifications of the central government so that the discretionary powers of local governments are severely restricted.

It can not be disputed that the centralized government system, which places importance on national unity and equality, has been effective in the process of the modernization since the Meiji Era and the post-World War II rehabilitation and economic development.

Japan has reached a certain level of economic growth and is now approaching the stage of a “matured society.” The level of public services have been uniformly raised to reasonable level throughout the country under the strict control of the central government. As a population ages and family structure and local communities change, its people demand more responsive, more flexible and more user-friendly public services, based on actual needs and individual circumstances. The central government has not been able to fully respond to these demands. In this context, the powers and functions of local governments must be strengthened to deliver indispensable public services on their own, in co-operation with local citizens. In particular, municipal governments, which are the closest to local people and which function as general caretakers of local communities, should be fully empowered and have sufficient authority, capacity and resources to deliver more responsive, more effective and more efficient services. Therefore, decentralization has surfaced as a political issue in Japan.
(5) Institutional arrangements for administrative reform

The Third Provisional Council for the Promotion of Administrative Reform, in its final report in October 1993, was concerned with the future prospects for administrative reform. It proposed the establishment of a strong monitoring structure within the Cabinet. This body would oversee the progress of reforms in consort with another authoritative third party organ.

Based on this proposal, on 21 January 1994 the Administrative Reform Promotion Headquarters was established within the Cabinet with a mandate to aggressively promote administrative reform. This headquarters is composed of all Cabinet members. The Prime Minister is Chief, the Chief Cabinet Secretary and the Director-General of the Management and Coordination Agency are Deputies, and the attendance of the Chairman of the Fair Trade Commission is also required. The Chief Cabinet Secretary manages the general affairs of the headquarters with the co-operation of the Management and Coordination Agency.

Further, in order to establish a third party organ to promote administrative reform, the Government established the Administrative Reform Committee on 19 December 1994. This five-member committee has a three-year mandate. It is located under the umbrella of the Prime Minister’s Office and is empowered to monitor the implementation status of a wide-range of administrative reform issues, including deregulation. It also investigates and deliberates laws and systems related to access to government information and has the authority to submit its opinions directly to the Prime Minister. The members are selected from among knowledgeable people from a variety of fields to reflect the views of the Japanese people in administrative reform measures.

Several sub-committees have been established under this Committee, namely the Expert Committee on Access to Government Information, the Deregulation Sub-committee and the Sub-committee for Demarcation of Public and Private Activities. The purpose of these sub-committees is to study specific administrative reform issues. When the Prime Minister receives the opinions of the Administrative Reform Committee, they must be respected. Furthermore, this committee is able, when necessary, to make recommendations concerning deregulation to the Prime Minister or the heads of related administrative organs through the Prime Minister.

On 3 July 1995, the Decentralization Promotion Committee was established in the Prime Minister’s Office with a five-year mandate. This committee has been charged to conduct investigations and deliberations concerning basic matters related to promoting decentralization, and to advise the Prime Minister about specific guidelines in creating a Decentralization Promotion Programme. The Prime Minister must give serious respect to the opinions and advice of this committee. This Committee is composed of seven members
who are selected from among knowledgeable people from local government, business, academic and other sectors.

On 21 November 1996, the Administrative Reform Council, headed by the Prime Minister, was established to (1) study what the functions of the government should be in the 21st century, (2) examine how the central ministries and agencies should be reorganized and (3) make a concrete proposals to strengthen the functions of the Cabinet Office. At the first meeting of the 15-member Council, the Prime Minister pledged to have a plan for the reorganization of central government ready within a year. The members of the Council, except for the Prime Minister, the head of the Management and Coordination Agency and a senior adviser of the Prime Minister, are chosen from among knowledgeable people in business, labour unions, journalism and academia.

Under the Prime Minister, the Administrative Reform Committee, the Decentralization Promotion Committee and the Administrative Reform Council form a think-tank for drafting administrative reform measures.

The Fiscal Structural Reform Conference, an informal body organized by the Prime Minister, has held meetings intermittently since last January to examine specific measures for cutting down government spending and reducing budget deficits. The Conference, chaired by the Prime Minister, is comprised of ex-premiers, representatives of ruling parties, relevant Ministers of State and Cabinet Vice-Secretaries. The Conference discusses any policy alternatives for government spending reduction which might place additional burdens on the people.

(6) Government organizations responsible for administrative reform

There are three Ministers of State who are responsible for promoting administrative reform. They are the Head of the Management and Coordination Agency, the Finance Minister and the Minister of Home Affairs.

The Management and Coordination Agency (MCA), which was established within the Prime Minister’s Office and is headed by a Minister of State, is responsible for planning, co-ordinating and implementing administrative reform measures throughout central government. For example, when the Government is to begin a given programme for reform, the MCA first sends a directive to the other ministries and agencies to prepare concrete measures in accordance with the purpose of the reform programme. The other ministries and agencies submit their views to the MCA (usually objections). The MCA makes every effort to prevail on the other ministries and agencies to develop an effective and practical reform programme. The MCA also has responsibility to review and manage organizational structures and staff size of the central government and therefore has a close relationship
with the other ministries and agencies. In persuading the other ministries and agencies, the MCA takes advantage of these relationships.

In the MCA, administrative reform responsibilities are mainly born by the Administrative Management Bureau. The Administrative Inspection Bureau carries out fact-finding surveys/investigations of specific administrative reform measures to evaluate the effectiveness of the measures and supply basic data for planning further reforms. At the end of fiscal 1995 the number of personnel in the Administrative Management Bureau was 91 and in the Administrative Inspection Bureau was 157. The MCA has local branch offices which are located in all the capitals of the prefectures. The local branch offices carry out field surveys/investigations all over Japan. The number of personnel in the local branch offices was 1003 at the end of fiscal 1995.

MCA personnel are career officials who enter government service after passing recruitment examinations administered by the National Personnel Authority. They typically work for many years in the government until retirement, as is true of officials in the other ministries. Their field of expertise is mainly law. MCA personnel may be transferred to the secretariats of the previously mentioned committees and councils and provide support for preparing opinions of the committees and the councils.

In one important sense the Ministry of Finance (MOF) is an organization which promotes administrative reform. The MOF is responsible for preparing the central government draft budget. The pressure to reduce the budget deficit, which now totals ¥241 trillion (about US $200 billion), forces the MOF to cooperate with the MCA to prepare effective administrative reform programmes.

The Ministry of Home Affairs (MHA) is responsible for planning, designing and guiding the system of local governments and their operation in general. The MHA takes charge of preparing administrative reforms concerning decentralization in cooperation with the MCA.

C. Performance review and programme evaluation function

(1) Administrative inspection

Administrative inspections scrutinize the operation of government programmes and evaluate them based on the facts or evidence gained through the investigations. As mentioned above, the Management and Coordination Agency (MCA) is responsible for carrying out administrative inspections. The agency institutionalizes a nation-wide inspection network – there are seven Regional Administrative Inspection Bureaux and 43 Prefectural Administrative Inspection Offices – to investigate operations and problems in the nation’s overall administration.
When the MCA conducts administrative inspections, it is entitled by law to all documents and other materials as well as testimony by ministries, agencies and other organizations subject to inspection or investigation. After completing an analysis and evaluation of a government programme based on the results of surveys/investigations, the Head of the MCA (the Minister of State) recommends areas for improvement to the relevant ministries or agencies and provides necessary information for planning administrative reform in association with authoritative committees such as the Administrative Reform Committee.

The MCA holds press conferences to explain the results of administrative inspections and the nature of the recommendations. The public learns how government programmes are operated and about the problems of these programmes through mass media. In addition, they can access information via personal computer networks via the Internet. The MCA has set up an Internet Home Page to improve public access to government information. In this manner, administrative inspection ensures administrative accountability to the public.

The MCA published 30 recommendations between April 1995 and June 1996. The titles of major recommendations are:

- On Economic Co-operation Projects (Official Development Assistance)
- On Telecommunications Policies
- On Life-Time Education Programme
- On the Acquisition of Public Building Sites
- On Urban Redevelopment Projects
- On Female Labour Promotion Programme
- On Disclosure of Financial Information of Public Corporations
- On Postal Service Administration
- On Air Pollution Prevention Countermeasures
- On Employment of Handicapped Persons

On 1 April 1997, the first day of a new fiscal year, the MCA approved an Administrative Inspection Programme based on the Administrative Reform Programme (see The Administrative Reform Programme, below ). The Programme stipulates issues for administrative inspection to be carried out from fiscal 1997 to 1999. It aims to systematically include important issues in administration from a medium-term perspective and to implement administrative inspections with respect to an established priority system. The Programme is to be reviewed and revised every fiscal year.

During the period covered by the Programme, the higher priority issues for administrative inspection are:

1. Government enterprises, public corporations and designated non-profit private corporations
Reviews of public corporations should be done with a view to rationalizing their operations. Designated non-profit private corporations should be investigated with a view to ensuring their proper management.

2. State measures and projects
Review of state measures and projects should be implemented with a view to reducing budgetary outlays and ensuring more efficient use of funds.

3. Promoting deregulation
Trans-ministerial investigations are to be carried out to follow up deregulation measures and to collect opinions and requests for the private sector.

4. New government programmes and public services
Evaluation surveys should be carried out for government programmes more than five years old when needed. The “Polite and Sincere Public Services Campaign” (see below) should be continued and follow-up surveys should implemented to evaluate the Campaign results.

(2) Use of the administrative inspection function
Several Cabinet decisions on administrative reform and some Cabinet decisions on specific government programmes stipulate that the administrative inspection function should be used not only to formulate concrete reform policies but also to monitor the results of specific government measures, including administrative reform. Based on these decisions, the Management and Coordination Agency (MCA) has been conducting administrative inspections to collect data on actual conditions in given administrative areas. They have also used inspections to follow up on the progress of given government programmes.

A typical example is the use of administrative inspections for regulatory reform. The Administrative Reform Committee requested the MCA to conduct fact-finding investigations before preparing its report on regulatory reform measures. Based on this request, the MCA investigated how government regulations were administered at the street level, collecting views and opinions from concerned people. The MCA then submitted analytical reports to the Committee. The Committee used these reports as background data in completing its report on future deregulatory policies.

In the first stage of the process for deregulation policy making the realities of government regulations and people’s views and suggestions are surveyed through administrative inspection. Then the Committee formulates regulatory reform policies to submit to the Prime Minister. In the third stage, the Cabinet decides which regulatory reform measures are to be carried out. In the fourth stage, administrative inspections are conducted to ensure that policies are being enforced.
(3) “Polite and Considerate Public Services” Campaign

For public administration to win the continued trust of the public, it is necessary to boost the awareness of each public servant of his need to improve public services and to practice kind, considerate public administration. For this reason, the Government has been conducting a nation-wide, ongoing Polite and Considerate Public Services Campaign in cooperation with public corporations and local public entities.

Each ministry, agency, and public corporation, has established public facility usage services and other public services in their reception areas, where they come into contact with the public. They are working to improve public services by making them (1) easily understandable, (2) convenient, (3) speedy, (4) clean, (5) polite, (6) safe and (7) more concerned about human beings.

In addition, the Polite and Considerate Public Services Promotion Council, which is composed of directors responsible for efficiency from each ministry and agency, stipulates the campaign policies for each fiscal year to promote a unified campaign across the entire Government.

In order to measure the results of this movement, the Management and Coordination Agency conducts a systematic Public Services Evaluation Survey every year. The results of the 1995 survey were reported at the Cabinet meeting of 22 March 1996.

D. Six reforms advocated by Prime Minister Hashimoto

In his policy speech at the opening of the 140th Session of the Diet (January 1997), Prime Minister Hashimoto described the society he would like to create. In this society, every person can fully realize his or her creativity and spirit of challenge and people come to have values in common with the entire world. To create such a society, he advocated reforms in six areas; administrative, fiscal, social security, economic structure, monetary system and educational policy. He said a keyword of his cabinet would be “achievement of reform and creation”.

(1) Administrative reform (in a narrow sense)

The objective of administrative reform is to build a public administration which can provide the services at the level desired by the public at the minimum cost, and an administration which can respond flexibly to the dynamic changes in the economic environment.

To meet these objectives, a comprehensive review of administration must be carried out from the following three viewpoints.
· Whether or not the country can eliminate interference in private-sector practices by government regulators.
· Whether or not services offered by the public-sector can be left to the private sector.
· Whether or not the country can shift the major administrative role from the central government to local governments.

(2) Fiscal structural reform

The Government of Japan is now suffering from huge budget deficits. At present, the Fiscal Structural Reform Conference comprised of the Prime Minister, relevant Ministers of State and representatives of the ruling parties is examining how to cut down government spending and reduce budget deficits. The Conference will also examine an outline of a bill for fiscal reconstruction.

(3) Restructuring of the economic system

The Cabinet approved the *Economic Structural Reform Stimulating Programme* last December in order to accelerate restructuring the Japanese economic system. The Programme includes concrete measures to develop new industries and build an attractive business environment through bold deregulation, reform of the corporate tax system and so on. More recently, the *Action Programme for Economic Restructuring* was approved at the Cabinet Meeting on 16 May. Fifteen business areas which are expected to flourish are identified in the Action Programme and concentrated promotion measures are set out for them. In addition, the target date for making the cost and quality of services for energy, transportation, telecommunication and financial services equivalent to international standards is set as 2001.

(4) Reform of monetary management

A bill to reorganize current monetary management passed out of the Diet on 17 June 1997. To summarise the contents of the bill, the monetary management functions of the Ministry of Finance are to be transferred to a new organ to be established under the Prime Minister’s Office. Another bill to reform the Bank of Japan, the central bank, into an open and independent body also passed the Diet on 11 June 1997.

The Prime Minister pledged to implement reforms such as facilitating market entry into the banking, securities and insurance sectors by the year 2001.
(5) Reform of social security system

Creating a social security system which balances benefits with costs is a grave problem related to the level of the public burden borne by the people. First, reducing cost and improving the efficiency of the system should be tackled under the present framework. Second, promoting further market entry by the private sector will reduce costs and improve efficiency, and at the same time respond more flexibly to people’s needs. Ultimately, the system must face the inevitable challenge of a choice between levying additional taxes and reducing the level of public services. This choice should be made by the people who are both taxpayers and beneficiaries of public services.

(6) Reform of educational policy

Globalization of the economic system and emphasis on information technologies are both advancing rapidly. Under such circumstances, it is increasingly important to nurture people who have diverse capacities and challenging and creative spirits. The Prime Minister emphasized the need to broaden the options available in the Japanese education system. The Ministry of Education has organized learned people from various fields and they are studying how to reform current educational policy.

(7) Ultimate objective

The ultimate objective of the six reforms is to realize a mature society based on the principles of free competition and self-responsibility. This mature society will also have to guarantee security in the daily lives of all people, from children to aged citizens.

2. Main areas of reform

A. Focus areas for comparative study

(1) Reform of public corporations

The most successful reform of public corporations has been the privatization of the Japanese National Railways (JNR), the Nippon Telegraph and Telephone Public Corporation (NTTPC) and Japan Tobacco and Salt Public Corporation (JTSPC). These initiatives were based on a recommendation of the Second Provisional Commission on Administrative Reform (PCAR).

To carry out the JNR transfer to the private sector the Government established the JNR Reconstruction Supervision Committee in 1983, on the recommendation of PCAR, to prepare plans to divide and privatize JNR. After two years of studies and deliberation, the Committee submitted a report to the Prime Minister in 1985, proposing to establish six
regional passenger railway companies and one freight railway company. On the basis of this report the Government submitted necessary legislation to the Diet in 1986 and the laws were passed after exhaustive debate. In April 1987, JNR was dissolved and reorganized into seven railway companies, the “Shinkansen” Holding Corporation and the JNR Settlement Corporation.

The Ministry of Posts and Telecommunication, the oversight agency for NTTPC, drew up a specific reform plan and prepared the necessary bills to be submitted to the Diet in 1984. The bills were duly passed through the Diet and NTTPC was reorganized into a new company, NTT, in April 1985. At the same time, the Telecommunication Business Act was considerably amended to relax regulations in the industry, resulting in NTT being shifted into a competitive market from its previous monopoly setting.

JTSPC was reorganized into Japan Tobacco, Inc. (JT) in April 1985. The Ministry of Finance, the oversight agency of JTSPC, was responsible for the necessary work to reorganize and privatize the corporation and draft the necessary bills.

The major results of these reforms in terms of business performance and financial position are shown in the following tables.

### JNR and JR Companies

(100 million yen)

<table>
<thead>
<tr>
<th></th>
<th>FY 1986</th>
<th>FY 1987</th>
<th>FY 1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>39,442</td>
<td>38,227</td>
<td>47,971</td>
</tr>
<tr>
<td>Total costs</td>
<td>53,053</td>
<td>36,661</td>
<td>45,780</td>
</tr>
<tr>
<td>Profits before tax</td>
<td>-13,611</td>
<td>1,561</td>
<td>2,197</td>
</tr>
<tr>
<td>Profits for the year</td>
<td>502</td>
<td>1,066</td>
<td></td>
</tr>
<tr>
<td>Deficits</td>
<td>23,151</td>
<td>9,933</td>
<td></td>
</tr>
<tr>
<td>Number of personnel</td>
<td>276,774</td>
<td>202,671</td>
<td>190,372</td>
</tr>
</tbody>
</table>

Notes
1. Figures since 1987 are the aggregate totals of the six passenger railway companies and the freight company.
2. Total revenue and total costs include incidental revenues and expenditures.
3. The number of personnel is actual as of March 31.
4. The deficits are those of the JNR Settlement Corporation.
### NTTPC and NTT

(100 million yen)

<table>
<thead>
<tr>
<th></th>
<th>FY 1984</th>
<th>FY 1985</th>
<th>FY 1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>47,562</td>
<td>50,914</td>
<td>63,583</td>
</tr>
<tr>
<td>Business expenses</td>
<td>44,285</td>
<td>44,071</td>
<td>59,819</td>
</tr>
<tr>
<td>Business profits</td>
<td></td>
<td>6,843</td>
<td>3,289</td>
</tr>
<tr>
<td>Profits before tax</td>
<td>3,276</td>
<td>3,161</td>
<td>3,764</td>
</tr>
<tr>
<td>Profits for the year</td>
<td></td>
<td>1,406</td>
<td>2,175</td>
</tr>
<tr>
<td>Number of personnel</td>
<td>313,627</td>
<td>303,951</td>
<td>185,458</td>
</tr>
</tbody>
</table>

Notes:
1. Total revenue includes incidental revenue.
2. The number of personnel is actual as of March 31.

### JTS PC and JT

(100 million yen)

<table>
<thead>
<tr>
<th></th>
<th>FY 1984</th>
<th>FY 1985</th>
<th>FY 1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>28,858</td>
<td>27,994</td>
<td>27,508</td>
</tr>
<tr>
<td>Total costs</td>
<td>28,364</td>
<td>26,968</td>
<td>26,267</td>
</tr>
<tr>
<td>Profits before tax</td>
<td>495</td>
<td>1,025</td>
<td>1,241</td>
</tr>
<tr>
<td>Profits for the year</td>
<td>335</td>
<td>693</td>
<td></td>
</tr>
<tr>
<td>Number of personnel</td>
<td>35,323</td>
<td>33,327</td>
<td>22,625</td>
</tr>
</tbody>
</table>

Notes:
1. Total revenue and total cost include incidental revenues and expenditures.
2. The number of personnel is actual as of March 31.

The Management and Coordination Agency is currently examining the public corporation regulations. They are looking closely at laws regarding establishment, change of purpose and amendment, and abolition of the corporations. The total number of public corporations remained constant from fiscal 1967, but during the decade from 1975 to 1985 began to fall. From the peak of 113 public corporations in fiscal 1975, the number of such corporations decreased by 21 to 92 in fiscal 1995.

A December 1995 Cabinet decision on policy for compiling the budget included a stipulation that overall review and restructuring of existing public corporations would be carried out in fiscal 1996. As a result of co-operation between the Government and the ruling parties, the Cabinet decided on a consolidation and rationalization plan. This plan stipulated that (1) the efficiency of the work of all of the corporations would be increased,
(2) 14 corporations would be consolidated into seven, and (3) another five corporations would be abolished or privatized.

Besides these measures other reforms which were incorporated in the plan, included (1) the disclosure of financial details; (2) the rationalization of personnel; (3) the establishment of a supervisory system; (4) the implementation of measures to deal with employment problems; and (5) the restriction of subsidies. Another Cabinet decision on 31 March 1995 provided for two additional corporations to be consolidated into one.

Based on these Cabinet decisions, the consolidation and rationalization of public corporations will steadfastly continue. The consolidation, abolition and privatization of the above-mentioned public corporations should be, in principle, implemented within three years. Draft legislation was submitted and subsequently enacted by the 136th Session of the Diet to consolidate, abolish, or privatize 9 of the 21 targeted corporations.

Moreover, the Cabinet issued a decision Regarding Disclosure by Public Corporations on 19 December 1995. In addition to clarifying the principles of disclosure by public corporations, this document specified several concrete measures. The first was to continue to prepare regulations on disclosure and implement disclosure measures already required by law. The second was to require carrying out disclosure activities aggressively by providing project reports at a unified service counter, adding auxiliary explanatory appendices to financial statements, and notifying the public by the end of each September, through publication in the Government “Gazette,” of the organizational outline, subsidiaries, summarized project plans and financial statements of public corporations. The third measure was to promote further disclosure in light of the results of administrative inspections of subsidiaries, etc. The fourth was to disclose financial details of public corporations beginning in December 1995.

To promote the disclosure of financial information, the Management and Coordination Agency prepared legislation on preparing, publishing and inspecting the finance related documents of public corporations. The bill, submitted to the Diet in March, was approved in June 1997.

Currently, the ruling parties’ task force on administrative reform is examining how to streamline 88 public corporations. After the task force submitted a report on reform of six public corporations to the Prime Minister, the Cabinet approved a statement On Streamlining and Rationalization Public Corporations on 6 June 1997. The decision stipulated abolishment of five and privatization of one corporation.
(2) Promoting deregulation

Various Cabinet decisions and the successive reports of the Provisional Commission on Administrative Reform have laid the groundwork for promoting deregulation. Three recent Cabinet policy statements in particular have led to decisions on over 1,100 individual deregulatory measures.

The Final Report of the Third Provisional Council for the Promotion of Administrative Reform stated, “The Government, based on the results of the ongoing reduction of permissions and approvals, should decide in 1994 on a medium-term and comprehensive Deregulation Action Programme.” Following this, the Cabinet decision (Fundamental Principles of Administrative Reform) of February 1994 stipulated that a five-year Deregulation Action Programme must be formulated by the end of 1994. Furthermore, the Cabinet decision (Deregulation Promotion Outline) of July 1994 stipulated that as part of this process, each ministry and agency had to review all government regulations pertaining to their jurisdictions by the end of 1994.

As a result of the ensuing studies the Government approved, in the Cabinet meeting of 31 March 1995, the Deregulation Action Programme for the five-year period from 1995 through 1999. In order to cope with the sudden change in the foreign exchange rate, Emergency Measures to Cope with Yen Appreciation (approved in the 14 April 1995 Cabinet Meeting on Economic Countermeasures) stipulated that the Deregulation Action Programme should be advanced and implemented as a three-year programme, to be concluded by 1997.

The Deregulation Action Programme stipulates that it should “...be reviewed and revised during each fiscal year.” In revising the Action Programme, each ministry and agency first gives consideration to the opinion of the Administrative Reform Committee. By thoroughly reviewing the Action Programme as it stands, while taking foreign and domestic opinions and requirements into account, ministries and agencies can also advance and clarify the implementation schedule. They may also specify in as much detail as possible the contents of the implementation measures in the original Programme, and incorporate new deregulatory measures.

The Deregulation Action Programme was first revised by a 29 March 1996 Cabinet decision and for second time at the Cabinet meeting on 28 March 1997. In these revisions the opinions of the Administrative Reform Committee were considered, along with foreign and domestic opinions and suggestions. The process was characterized by the greatest possible transparency.

Altogether, the current revised Action Programme covers 2,823 specific deregulatory measures in 12 sectors, including 1,005 new points not covered in last year’s Action Programme. Policies in the existing programme that have been promoted in the current
revision include (1) advancing the schedule of implementation, (2) clarifying the implementation schedule and (3) specifying the content of deregulatory measures to be implemented.

Examples of deregulatory measures included in the current Action Programme are:

- abolishing the supply-and-demand adjustment system in the transportation sector;
- liberalizing stock brokerage commissions;
- abolishing regulations on holding companies and total amount of stockholding by giant non-financial companies; and
- abolishing regulations banning females from overtime, holiday and night work.

(3) Promoting decentralization

After considering the opinions of a wide spectrum of interested parties, the Government prepared a directive Regarding the Policy on Fundamental Principles for Promoting Decentralization (hereafter called the “Fundamental Principles of Decentralization”) at the 25 December 1994 Cabinet meeting. The Principles emphasized a policy to “rapidly advance studies on drafting a law to promote decentralization, including establishing a committee, formulating a concrete plan, and submitting a plan to the next regular session of the Diet.” Based on this decision, the Cabinet then approved a draft Law To Promote Decentralization on 28 February 1995, and submitted it to the Diet on the same day. After partial revisions, the law was enacted on 19 May 1995 and took effect on 3 July 1995.

The Government regards the formulation of a Decentralization Action Programme as essential to comprehensively and systematically promote decentralization. This Action Programme is to be prepared in accordance with basic policies, while giving serious consideration to the advice of the Decentralization Promotion Committee.

The Decentralization Promotion Committee, composed of seven members, was established within the Prime Minister’s Office in October 1995, in tandem with the enforcement of the Law to Promote Decentralization. This Committee has been charged to conduct investigations and deliberate on basic matters to promote decentralization. In addition to advising the Prime Minister about specific guidelines for formulating a Decentralization Action Programme, it monitors the implementation status of policies based on the Action Programme and reports its assessment of the results to the Prime Minister.

The Decentralization Promotion Committee set up two working groups to undertake its work. The first of these is the Regional Development Working Group and the second is the Living Development Working Group. On 29 March 1996, the Committee submitted an Interim Report on the Creation of a Decentralized Society to the Prime Minister.
Following the interim report, the Committee established two additional working groups, the Inter-governmental (Central-Local) Relationship Working Group and the Subsidies and Financial Resources Working Group. On 20 December 1996, the Committee submitted its first recommendations to the Prime Minister. The highlights of these recommendations are:

- The present system of having governors and mayors of local governments as extensions of the central government should be abolished in order to transform the relationship between central and local governments from a command–obedience one to an equal–co-operative one. The public affairs to be administered by local governments should be those belonging to their own jurisdictions, except for those to be delegated by the legislative process.
- A new system governing the relationship between central and local governments should be established, abolishing present overall control of local governments by the central government.
- In the fields related to regional development, welfare and education, devolution of authority and reduction/abolishment of control by the central government should be carried out as soon as possible.

The Committee is now deliberating its second set of recommendations, which will be submitted during the first half of 1997.

**B. Human resources management**

**(1) Management of administrative organizations**

It has long been the policy of the Government of Japan to curb the expansion of administrative organizations while simplifying and streamlining the existing administrative machinery. It has also maintained the so-called “scrap-and-build” principle when creating new organization units.

Recent reorganization efforts saw the establishment of the Management and Coordination Agency in July 1984 and the consolidation of the Central Labour Relations Commission and the Government Enterprise Labour Relations Commission in October 1988. Today, the central government consists of one office, twelve ministries, and 31 commissions and agencies. Of the latter two, one commission and eight agencies are headed by the Ministers of State.

Secretariats and bureaux are key internal subdivisions primarily responsible for public services performed by each ministry or agency. The total number of secretariats and bureaux (128) has not changed since 1979 because of the rigorously maintained restraint policy on organizational expansion.
Every year the Management and Coordination Agency conducts rigorous review of organization requests for the following fiscal year, as a part of the budget compilation process. Organization needs are evaluated with an eye to strictly restraining expansion of the overall organization and reorganizing existing organizations to make them capable of responding to diverse needs.

**(2) Management of staff size**

For some time the Government has engaged in practices to reduce the number of national civil service personnel by implementing the *Law Concerning the Fixed Numbers of Personnel of Administrative Organs* (No. 33, 1969) and the *Personnel Reduction Plan*.

This law sets maximum limits on the total number of regularly working personnel where constant placements are needed to carry out the responsibilities of the ministries and agencies. Therefore, it goes by the name of *Total Staff Number Law*. This law enables the Government to reduce personnel in a given ministry and at the same time increase the number of those in another Ministry.

The *Personnel Reduction Plan* is a prescribed set of personnel reduction targets set for several years in advance, for the purpose of reducing personnel levels of the ministries and agencies. The Plan is approved by the Cabinet.

Under the *Personnel Reduction Plan*, ministries and agencies reduce their positions to the targeted number by attrition. The number of personnel cut is then “pooled” in a staff size account maintained by the Management and Coordination Agency. Every year the MCA rigorously scrutinizes additional personnel requests for the next fiscal year as a part of budget compilation process. The MCA redistributes the “pooled” personnel numbers when it identifies a need to increase personnel. What remains in the staff number account becomes the total number of personnel cut each fiscal year.

In fiscal 1996 personnel reductions continued to be implemented based on the *Eighth Personnel Reduction Plan* (approved by a Cabinet decision on 5 July 1991), while the addition of new personnel was severely restrained. A net reduction of 2108 positions is expected.

The total number of national civil service personnel in all ministries and agencies at the end of fiscal 1996, including both clerical and operations personnel, was expected to be about 855,000 people (excluding Self-Defence Forces personnel). This represents a low level of restraint, only about 44,000 people fewer than the number at the end of fiscal 1967, the base year under the *Total Staff Number Law*. 

**(3) Promoting exchange of personnel among ministries and agencies**

Today, against the backdrop of an increasing need to develop comprehensive policy, the Management and Coordination Agency is aggressively promoting inter-agency personnel exchange based on a Cabinet decision on December 1994, *Regarding the Promotion of Inter-agency Personnel Exchanges*.

The aim of this Cabinet decision is to increase the mobility of government officials by promoting personnel exchanges among the 12 Ministries and the National Police Agency. In Japan, most officials work in their home ministries/agencies for a long time under a lifetime employment system. They are employed by each ministry or agency and gradually promoted within it. This customary practice encourages their loyalty to their home organizations, not to the public, and brings about fierce departmentalism.

The main purpose of the programme is to let government officials have working experiences in at least two organizations outside their home organization prior to being promoted to the level of division director. Before the decision, there was some exchange between different ministries and agencies, but broader personnel exchanges were regarded as indispensable to change the parochial mindset of many government officials.

As of 15 August 1996, among about 5,500 managerial positions, 616 positions are occupied by those from the other organizations. This is 17.6% increase above the figure of December 1994. Among the government officials who were promoted to the division director level between 16 August 1995 and 15 August 1996 (303 persons), 85.5% of them (259 persons) had working experiences in organizations other than their home organization. Moreover, 65% had worked in more than two outside organizations.

From now on, the MCA will strive to encourage ministries and agencies to promote exchanges of government officials to decrease the ill effects of departmentalism.

**(4) Ensuring trust in the administration and civil service**

Strict maintenance of official discipline is fundamental to ensuring the fair administrative practices and maintaining the trust of the public. For a long time, the Government dealt with this issue unilaterally through Cabinet decisions.

The Cabinet decision on December 1988, *Regarding the Enforcement of Official Discipline*, states that government officials should refrain from acts which could invite public suspicion, such as having contact with business people who have a vested interest in one’s official duties. The Chief Cabinet Secretary notified each ministry and agency in this
regard. Furthermore, in April 1989 the Administrative Vice-Ministers’ Council approved an Agreement Concerning Official Disciplinary Inspections. This agreement aims to maintain official discipline and prevent the recurrence of scandalous incidents such as bribery, and thereby recover the public’s trust in administration. Based on this agreement (1) an official discipline inspection committee was established and (2) inspections of the status of enforcement of official discipline were implemented in each ministry and agency.

The Management and Coordination Agency calls on each ministry and agency to submit an annual report on the results of these inspections by the end of March. The Agency then compiles these reports and submits them to the Administrative Vice-Ministers’ Council. In 1995, the Administrative Vice-Ministers’ Council arrived at an understanding concerning stock transactions of government officials. The Council also agreed to enforce strict official discipline.

During 1996, a series of corruption allegations among high ranking government officials and wine-and-dine incidents involving central government officials financed by local government public funds were disclosed one after another and the people’s trust of the public administration was greatly damaged. In order to recover trust in public administration and in the civil service, the Administrative Vice-Ministers’ Council established an internal structure in every ministry and agency to ensure discipline among civil servants. Based on this agreement, ministries and agencies prepared internal directives on how to deal with the private sector and public officials from different organizations.

C. Accountability and transparency

(1) Access to government information

The Fifth Report of the Provisional Commission on Administrative Reform, released in March 1983, proposed immediate development of measures to disclose information “... from the perspective of bringing about even fairer and more democratic administrative management, and ensuring people’s confidence in the Government.” It stated the need to establish organizations to study ways to access government information that are congruent with Japan’s current circumstances.

In February 1994, after enacting the Administrative Procedures Law, the Cabinet ratified the Fundamental Principles of Administrative Reform, in the course of which it called for serious research on systems to access government information. Based on this Cabinet decision, the Administrative Reform Committee, launched in December 1994, was to report to the Prime Minister on laws and systems related to access to government information by December 1996.

In March 1995, the Expert Committee on Access to Government Information was established for expert study of items concerning access to government information. A
A progress report was presented to the Administrative Reform Committee in April 1996. After several public hearings the final report of the Expert Committee was given to the Committee in November 1996. The Committee held extensive discussions based on this technical report and submitted its own report to the Prime Minister in December 1996.

An office to prepare legislation on access to government information was set up at the Management and Coordination Agency at the end of 1996. The government currently is preparing bills on access to government information as quickly as possible. The Prime Minister pledged recently that the government would submit the necessary legislation by the end of fiscal 1997.

The core contents of legislation on access to government information, as stated in the report of the Committee, would be:

[Goals of the Law]
The objectives of the information access initiatives would be to improve the openness of the public administration, to secure the accountability of public administration to the people, and to strengthen the control of public administration by the people as well as to promote the participation of people in the administrative process.

[Government Organizations Subject to the Law]
All administrative organizations in the executive branch of the Government, including the Board of Audit and the National Personnel Authority but excluding the public corporations would fall under the law.

[Documents Subject to the Law]
Any form of documents such as paper, magnetic tape, floppy disk etc., prepared or obtained by any official of any administrative organization as well as those kept in that organization for collective use would be considered “information” under the law.

[Establishment of Right to Claim Disclosure]
Any person shall have the right to claim disclosure of administrative documents.

[Procedures for Claiming Disclosure]
The law would include procedures for claiming disclosure, those for the protection of third parties, transfers of cases, methods of disclosure, fees and delegation of authority etc.

[Undisclosed Information]
The following six types of government information are identified as those not to be disclosed: (For more detailed information, see the Appendix.)

- information about individuals;
- information about corporations that may endanger the legal interests of corporations if disclosed, such as property rights, as well as information which is submitted to an administrative organization on the condition that it be kept confidential;
- information about diplomatic relations that may be detrimental to the interests the Government as a whole if disclosed;
- information about public safety and maintenance of public order that might provoke public disorder if disclosed;
- information concerning the process of policy formation within public administration;
- information on inspection, examination, survey, personnel management etc., which may cause difficulties in managing public administration if disclosed.

However, the report allows disclosure of such “undisclosed” information when it is clearly in the public interest that it be made available. In addition, the report includes measures for disclosing information about the existence of specific government documents.

[Items About Complaint Applications]
The law would include procedures for registering complaints, establishing complaint review commissions, and appointing the members of such commissions, etc.

[Other Items]
The report includes some rules for managing government documents, promoting of comprehensive publication of government information and disclosing information held by public corporations

(2) The Administrative Procedures Law

Preparation of a unified law for dispositions by government agencies was a pending question for 30 years after it was first brought up in 1964 at the First Provisional Commission on Administrative Reform. In response to the reports and opinions expressed at the Second Provisional Commission on Administrative Reform (PCAR), and at the succeeding Provisional Council for the Promotion of Administrative Reform, the Administrative Procedures Law was enacted in November 1993 and implemented in October 1994.

The Administrative Procedures Law lays down common rules for procedures preliminary to dispositions and notifications, and for administrative guidance procedures, to protect the people’s rights and interests. It stipulates establishment and publication of review standards, establishment and publication of typical processing time frames, preparation of hearing and justification procedures related to adverse dispositions, and general principles for administrative guidance.

Characteristics of the Administrative Procedures Law include:
· an independent chapter devoted to disposition in which relatively detailed rules are laid out;

· an adverse disposition procedure divided into two parts; the first concerning the hearing and the second concerning providing opportunities for explanation and rebuttal;

· a guarantee of the right for parties in an adverse disposition to request access to the related documents during a procedural hearing;

· an independent chapter devoted to administrative guidance which clearly lays down all rules, the first such guide in the world;

· a statement of principle that all notifications are valid upon delivery (of documents).

The Administrative Procedures Law introduces uniform procedures to those areas that had been left to the discretion of government agencies, opening up the possibility of fundamental revolutionary changes to administrative management. The Administrative Procedures Law is expected to allow public administration to evolve from the previous power-laden administrative style to one that is based on mutual trust between the people and government agencies. The Government is working to implement the new law, with the Management and Coordination Agency actively engaged in the effort by conducting orientation meetings to provide information about the law, training seminars for public servants and precise guidance and advice for local public authorities.

According to the results of a survey conducted on the implementation status of the Administrative Procedures Law as of 31 March 1996, review standards were being applied to 90% of all possible cases, standard processing time-frames to 80% of all possible cases and disposition standards for adverse dispositions to 80% of all possible cases. Moreover, formal hearings, and explanation and rebuttal for adverse dispositions were being implemented on virtually all adverse dispositions. As can be seen, therefore, the Administrative Procedures Law is being appropriately implemented in virtually all circumstances.

3. Conclusion

The fundamental structure of the present Government was organized about 50 years ago, in the aftermath World War II. Soon after the Constitution of Japan came in effect, the government began its administrative reform efforts. In the early stages, the aim was to scrap some organizations and decrease the number of public servants. Around 1960, the direction of reform was modified. Effectiveness and efficiency of the government programme and operation became the focus of reform. After the oil crises of the mid-1970s, the Government was forced to reduce its spending and undertake a review of
individual programmes in the context of re-examining the role of the public sector. At this point, the question of what activities the government should be responsible for was combined with the questions of effectiveness and efficiency. On the whole, administrative reform in Japan has been successful. This concluding section reviews the reasons for this success.

(1) A built-in mechanism for administrative reform

As mentioned above, the Government began the work on administrative reform in the mid-1940s. At this earlier time, a mechanism for administrative reform was built in. That mechanism was a governmental council to examine reform measures and submit its recommendations to the competent Minister of State. The Government conducted administrative reform by taking account of such recommendations. These councils were continuously organized, one after another, from the Provisional Council on Reform of Administrative Organizations set up in 1948 to the Administrative Reform Committee and the other advisory bodies mentioned in preceding sections.

(2) Annual review of government programmes during the budget preparation process

Japan has adopted a one-year budget system in which the expenditures for each fiscal year (the fiscal year starts 1 April and ends 31 March) must be covered by the revenue for that fiscal year. Each year around June, ministries and agencies start to estimate their expenditures for the coming fiscal year. In July, the Cabinet agrees to the guideline for budget requests prepared by the Ministry of Finance. The guideline contains ceiling on budget requests which must be followed by each spending entity in preparing its budget requests. The ceilings are announced in figures indicating the percentage increase each spending entity is allowed to request. In recent years during which the government has been suffering from huge budget deficits, a “zero-ceiling” or “minus ceiling” has been enforced. That means each spending entity must prepare its budget request at the same spending level or a lower level than that of the previous fiscal year. Under “zero-ceiling” or “minus ceiling”, each spending entity must review and reform its programmes in the process of drawing up its request. This annual review and reformulation of government programmes by responsible government entities contributes to the Japanese success in administrative reform.
(3) Commitment of political leaders to administrative reform and strong leadership

Administrative reform could change the current balance of interests and sometimes force additional burdens to the people. Strong political commitment by the political leader, in the Japanese case the Prime Minister, promises success for administrative reform. The stronger the political commitment, the greater the success. Many Japanese scholars have emphasized this point.

(4) Accurate identification and understanding of existing policy issues

When one examines a given reform measure, the first step is to accurately identify what is to be reformed from among the existing systems and operations. Then one needs to develop a common understanding of the issues among the people concerned. Examination of reform measures would not be meaningful and persuasive without exact identification and common understanding of the issues among the persons interested.

(5) Importance of resource mobilization

However, it takes a lot of time and resources (human resources, operational costs etc.) to correctly identify what should be reformed, and gaining common understanding of the concerned persons is a very time-consuming work. For this reason, the importance of resource mobilization in conducting administrative reform cannot be underestimated.

The Second Provisional Commission on Administrative Reform is a case in point. In addition to nine Commission members, about 80 expert members and advisors who were scholars, businessmen, ex-civil servants, journalists etc. were involved in the work of the Commission. There established an executive office with more than 100 supporting staff.

(6) Involving the persons concerned and Interest groups

The reform process must closely involve front-line managers or staff or interest groups who can fully understand what should be reformed. Involving such people in developing the reform agenda and then implementing it will lead to successful reform. Hearing from them, exchanging views again and again and including their suggestions in the reform agenda will contribute to smooth and effective implementation of a reform programme.

In Japan, members, expert members, advisors and supporting staff of government advisory bodies on administrative reform repeatedly contact the persons concerned, interest groups, specialists of specific fields and politicians to discuss the issues and to exchange views. These efforts help prepare easy-to-implement reform measures.
(7) Respect for feasibility

Even the most ideal reform plan is meaningless if it cannot be implemented. It is indispensable to make every reform measure as feasible as possible. Involving the persons concerned and conducting multi-dimensional review and examination of existing government programmes and operations are crucial conditions to ensure the feasibility of a reform programme.

(8) Public support

Public support is an essential factor for successful implementation of administrative reform. An administrative reform agenda may deeply affect the daily lives of the people. It is not easy to ensure people’s interest and support over a long period. Therefore, public relations activities play an important role as a powerful means to get and retain the people’s interest and concern in administrative reform efforts. In addition, wide press coverage is indispensable.

(9) Role of the legislature

Reform measures are translated into draft legislation and these bills on administrative reform are submitted to the legislative branch. After the legislative branch deliberates and approves the bills the government can carry out necessary reforms based on the legislation. Thus, the role of the legislative branch is critical in implementing reform measures.

In Japan, the Diet, the Japanese legislature, has established a special committee on administrative reform to intensively deliberate administrative reform issues. Each house spends enormous time examining and debating draft administrative measures prepared by the Cabinet. This arrangement allows the members of the Diet to participate in discussion and to understand the implications of administrative reform.
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Appendix

Undisclosed Information in the Report of the Administrative Reform Committee

1. Information relating to a private individual (excluding information relating to a business run by a private individual) whereby a specific private individual may be identified directly or through collation with other information, provided however that this shall not apply to the information set forth in the following.

   a. Information that has been made public or is due to be made public through the provisions of laws and ordinances or as habitual practice.

   b. Information that is deemed, even when disclosed, not to violate the interests of private individuals protected by this clause, by excluding names and other parts of the information that may identify a specific private individual.

   c. Information relating to the work of public servants that is included in information pertaining to the performance of professional duties by the said public servants.

   d. Information whose disclosure is deemed to be of greater necessity in order to protect human life, limb, health, property, or livelihoods.

2. Information set forth in the following relating to a corporation or other organization (excluding the national government and local authorities; hereinafter “Corporation etc.”) or information relating to a business run by a private individual, provided however that this shall not apply to information whose disclosure is deemed to be of greater necessity in order to protect human life, limb, or health from harm or property or livelihoods from violation caused by the business activities of the said Corporation etc. or said private individual.

   a. Information that could harm the competitive status, property rights or other rightful interests of the said Corporation etc. or the said private individual.

   b. Information that is supplied voluntarily on condition of a promise not to make it public following receipt of a request from a government body and that is assumed not to be made public as customary practice by a Corporation etc. or private individual, or other information for which the agreement of the said promise is deemed reasonable in view of the circumstances.

3. Information that gives sufficient grounds to deem that, if it were disclosed, the national security could be harmed, relationships of trust with other countries or international organizations could be lost, or disadvantage could be suffered in negotiations with other countries or international organizations.
4. Information that gives sufficient grounds to deem that, if it were disclosed, obstruction could be caused to the prevention and investigation of crime, the maintenance of public prosecution, the enforcement of penalties, policing, and other maintenance of public security and order.

5. Information relating to deliberations, studies, or discussions within a government body or between government bodies that, if it were disclosed, could cause wrongful impediment to frank exchange of opinions or the impartiality of the decision-making process, wrongful confusion among the people, or wrongful advantage or disadvantage to a specific party.

6. Information relating to the auditing, inspection, management, litigation, negotiations, contracts, tests, surveys, research, personnel management, current business management, or other operations or business of government organizations that, if it were disclosed, could cause obstruction to the proper execution of the said operations or business in view of the nature of the said operations or business.
Endnotes

1 28% of 1996 general account revenues was financed by national bonds.

2 The size of 1996 general expenditures is approximately ¥43 trillion. General expenditures are general accounting expenditures minus national debt service, local allocation tax grants and a few other items. This figure is basically policy expenditures.

3 The ratio of outstanding government bonds to GDP is approximately 0.48.

4 In Japan, there are two layers of local governments, prefecture governments (the first layer) and municipal governments (the second layer).

5 Examples of the measures and projects are; state subsidies, sewer management programme, national pension systems, drug regulation administration, railroad administration, rice production and distribution programme and overseas public relations administration.

6 This refers to policies the national Government should primarily fulfil, such as implementing policies and projects that must be carried out on a national scale or from a national perspective. Local public entities are primarily responsible for the independent and comprehensive implementation of regional administration.

7 Under this system, public affairs which originally came under the jurisdiction of the central government are delegated to the governors or mayors who then administer those affairs as executing agents. The central government has the power to control the delegated affairs and retains final authority concerning these affairs.