

The Present Condition of Actual Performance Assessment and Effectiveness Auditing

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1. Introduction

In Japan, the current policy evaluation system by administrative agencies originates with a proposition from the Administrative Reform Council (established in November 1996) that the policy evaluation function of the Administration should be improved and strengthened, as was clearly stated in the Council's final report dated Dec. 3, 1997. To institutionalize the policy evaluation system throughout the Administration, it was required, in keeping with the restructuring of the government ministries and agencies in January 2001, to implement the policy evaluation system under the act, which partly amended the National Government Organization Law, put into force simultaneously with the act requiring the aforementioned restructuring. In addition, to ensure the practicability of policy evaluation, the Government Policy Evaluation Act (hereinafter referred to as GPEA) which laid out the evaluation's basics and institutional framework was passed in June 2001 and took effect, except for some portions, in April 2002. Based on it, Standard Guidelines for Policy Evaluation (hereinafter referred to as SGPE) were established. Thus, this complete set of law set the stage for implementation of the policy evaluation system.

While the policy evaluation system has come to have more implications in performance audits that the Board of Audit has conducted until now, this paper will cover actual performance assessment that constitutes an increasingly important aspect of the policy evaluation system by analyzing its implementation situation as well as discussing its relation with effectiveness audits the Board of Audit has conducted up to now. (This paper exclusively contains the author's own opinion, and does not represent, in any way, the official position of the Board of Audit.)

2. Implementation Situation of Policy Evaluation

(1) Methodology of Policy Evaluation

Three types of assessment are involved in policy evaluation: Project Assessment, Actual Performance Assessment, and Overall Assessment. It is required to adopt an appropriate type of assessment from these when implementing policy evaluation according to the characteristics of the policies in hand and/or specific requests for policy evaluation in individual fields of activities.

(i) Project Assessment

This type of assessment is mainly intended for office work projects, with the purpose of providing information that would be useful in decision-making to adopt and/or select proposed administrative activities by conducting a cost-effectiveness analysis in advance and verifications in mid-course and postmortem. This assessment mainly covers public works, research & development, and ODA projects.

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(ii) Actual Performance Assessment

This type of assessment is mainly intended for civil service measures, with the purpose of providing information on the effectiveness of such measures by setting up a goal for a given measure in advance and measuring and assessing the actual performance against the goal on a regular and continuous basis. More specifically, a primary goal is set up for each of the relevant measures; such goal setting should be outcome-driven by making it known to citizens in an easily understandable way, such as, "By when and what to achieve with regard to what." This assessment covers a wide range of major measures taken by government bodies.

(iii) Overall Assessment

This type of assessment is mainly intended for policies (in a narrow sense) and measures, with the purpose of assessing thoroughly the manifestation of their effectiveness in depth from various angles after the elapse of a certain period from their implementation to ascertain such effectiveness and providing a wide variety of information that would be useful in problem-solving. This assessment focuses upon those policies and measures which should be modified, improved or reviewed in the light of changes in social and economic conditions.

(2) Implementation Situation of Policy Evaluation in Individual Government Bodies

In June 2003, the Administrative Evaluation Bureau of the Ministry of Public Management, Home Affairs, Posts and Telecommunications (hereinafter referred to as "MPMHAPT") published a report titled "Report on the Implementation Situation of Policy Evaluations and the Reflection Situation of Their Results upon Policy Making" which was prepared in conformity with a requirement of Article 19 of GPEA. This report presented the implementation situation in individual government bodies for fiscal year 2002 by the type of assessment, as shown in Exhibit 1. Under GPEA, the MPMHAPT is held exclusively responsible for conducting an across-the-board review of policy evaluation made by individual government bodies from the government-wide perspective in order to ensure that such policy evaluation be conducted rigorously according to objective standards. (Such review is hereinafter referred to as the "MPMHAPT Review.")

(3) Rationale for Introduction of the Actual Performance Assessment

Actual performance assessment is mainly intended for civil service measures, with the purpose of providing information on the execution status of such measures by setting up a performance goal for a given measure in advance and measuring and comparing the actual performance against the goal. Given the fact that every measure is comprehensively subject to actual performance assessment in the evaluation-advanced Western countries that have already put such assessment in place, this assessment plays a central role in the policy evaluation system.

In Japan, the policy evaluation system including actual performance assessment was first put in place along with the restructuring of the government ministries and agencies in January 2001 as already stated, but the Board of Audit has never included actual performance assessment in its settlement audit reports. On the other hand, actual performance assessment is related to effectiveness audits the Board of Audit has conducted up to now in the sense that it involves setting a goal for each measure as well as a quantitative performance goal and measuring/assessing actual performance against these goals. Now that more than two years have passed since the introduction of the policy evaluation system, the implementation situation has become increasingly important as a prerequisite for effectiveness audits and other performance audits.

3. The Present Condition of Actual Performance Assessment

(1) Implementation Situation of Actual Performance Assessment and Summary Results of Actual Performance Assessment of Thirteen Selected Government Bodies

In fiscal year 2002, out of seventeen (17) government bodies to which GPEA is applicable, thirteen (13) government bodies were found to have conducted actual performance assessment. To obtain the current

implementation situation of actual performance assessment, these 13 government bodies' practice was analyzed for the following nine (9) parameters.

<Parameters of Analysis>	
(i)	Whether or not relevant policy goals are set on an outcome basis.
(ii)	Whether or not performance indicators have been established to measure actual performance against the policy goals objectively.
(iii)	Whether or not the performance indicators are on an outcome basis.
(iv)	Whether or not the performance indicators involve a numerical target(s).
(v)	Whether or not policy instruments have been clearly defined to achieve the policy goals.
(vi)	Whether or not actual performance is measured for the performance indicators on a fiscal year basis.
(vii)	Whether or not performance versus the policy goals is assessed by comparing the measured actual performance with the numerical target.
(viii)	Whether or not it is ensured that another organization within the administration, other than the assessing body, reviews the results of the assessment.
(ix)	Whether or not it is ensured that knowledge and insights from people of experience or academic standing are exploited.

Based on the analysis, a comprehensive assessment of the degree of maturity of actual performance assessment was made; whether a sufficient level of actual performance assessment to ensure its effectiveness had been attained or not. The results of the assessment, shown in Table 1 below, indicated that three (3) government bodies were at stage 1, six (6) at stage 2, two (2) at stage 3, and two (2) at stage 4, suggesting that most of the government bodies had failed in attaining the said sufficient level of actual performance assessment. The degree of maturity corresponding to the four stages is described in Table 1.

Table 1

Stage	Government Body	Description
1	Cabinet Office, Financial Services Agency, Environmental Disputes Coordination Commission	This stage is characterized by policy goals that have not been set on an outcome basis, or else by performance indicators that have not been established to objectively measure performance versus goal for the relevant policy or are not clearly defined.
2	Fair Trade Commission, National Public Safety Commission/National Police Agency, Ministry of Public Management, Home Affairs, Posts and Telecommunications, Ministry of Justice, Ministry of Finance, Ministry of Health, Labour and Welfare	This stage is characterized by policy goals that have been set on an outcome basis and performance indicators that have been established to objectively measure performance versus goal for the relevant policy, although most of the performance indicators do not involve a numerical target(s).
3	Ministry of Education, Culture, Sports, Science and Technology, Ministry of the Environment	This stage is characterized by performance indicators that have been established to objectively measure performance versus goal for the relevant policy, although only about a half of the performance indicators involve a numerical target(s).
4	Ministry of Agriculture, Forestry and Fisheries, Ministry of Land, Infrastructure and Transport	This stage is characterized by performance indicators that have been established to objectively measure performance versus goal for the relevant policy and by all of the performance indicators that involve a numerical target(s). At this stage, actual performance is measured for the performance indicators on a fiscal year basis and performance versus goal for the relevant policy is assessed quantitatively.

Note: This table was adapted from the fiscal 2002 actual performance assessment reports prepared by relevant ministries.

(2) Implications of Numerical Targets in Actual Performance Assessment

In conducting actual performance assessment, it is important to clearly define by when and what the relevant government body should achieve by implementing the relevant civil service measure and to establish performance indicators, numerical targets, and the targeted fiscal year to measure performance versus goal. Basically, performance versus goal is assessed by comparing the actual performance measured at the time the targeted fiscal year has come with the numerical targets.

In view of the purpose of its implementation, it is also vital that actual performance assessment should be outcome-driven and customer-focused, and, therefore, it necessarily should involve measuring what outcome the executed measure has brought, as its effect, to citizens and regions as customers of civil services. Many government bodies advocate in their fundamental principles that actual performance assessment should be outcome-driven. In reality, however, while approximately seventy percent of policy goals are set on an outcome basis, a little less than seventy percent of performance indicators by which the effect of policy and/or measure is measured are established on an output basis, which implies that an irradicable volume-oriented attitude still remains within the Administration.

In general, requirements for performance indicators include (i) coverage encompassing the entire goals of the measure intended for actual performance assessment, (ii) relevancy with the goal of the relevant measure, and (iii) ability to get hold of performance versus goal for the relevant measure clearly and objectively. To meet the requirement of clarity and objectivity under item (iii), performance indicators should preferably be as quantitative as possible. In addition, quantification is regarded as an important prerequisite for performance indicators in light of the involvement of numerical targets.

Table 2 shows the relation between policy goals and performance indicators for the Ministry of Land, Infrastructure and Transport and the Ministry of Agriculture, Forestry and Fisheries, both of which are ranked best under (1) above in terms of maturity. According to the table, the Ministry of Agriculture, Forestry and Fisheries has a more mature system of actual performance assessment.

Table 2

Item	Ministry of Land, Infrastructure and Transport	Ministry of Agriculture, Forestry and Fisheries
Policy goal	All of the 27 goals are on an outcome basis.	All of the 70 goals are on an outcome basis.
Performance indicators	Out of 113 performance indicators, 56 are on an outcome basis, and 57 are on an output basis.	Out of 247 performance indicators, 226 (approx. 90%) are on an outcome basis, and 21 are on an output basis.
Quantification of performance indicators	All of the performance indicators are quantified.	All of the performance indicators are quantified.
Involvement of numerical targets in performance indicators	Every performance indicator involves a numerical target(s).	Every performance indicator involves a numerical target(s).
Goal-setting for each fiscal year	No goal is set for each fiscal year.	Goals are set for each fiscal year.
Measurement of actual performance for each fiscal year	For reasons of the prescribed intervals of the survey, actual performance is not always measured against all goals on a yearly basis.	Basically, actual performance is measured against all goals every year.
The character of assessment of performance versus goal for each fiscal year	Qualitative	Quantitative

Note 1: This table was adapted from the fiscal 2002 actual performance assessment reports prepared by the Ministry of Land, Infrastructure and Transport and the Ministry of Agriculture, Forestry and Fisheries.

Note 2: Breakdown of policy goals between an outcome and output basis is based upon the results of the MPMHAPT Review.

As far as the level of numerical targets is concerned, in setting such targets, the Ministry of Land, Infrastructure and Transport makes it a rule to keep in mind that calculation should be done with a certain level of rationality, for example, by basing it upon already established long-term numerical targets or taking into account the history of measured actual performance, lest resulting numerical targets be excessively easy or hard to attain. As a matter of fact, a survey of the basis of calculation of numerical targets that was used by the Ministry showed that 30 performance indicators borrowed the planned targets which the departments and agencies within the Ministry had worked out for such programs as the New 5-year Road Improvement Program and the Eighth 5-year Sewerage Improvement Program. This borrowing accounts for about 27% or the largest proportion of the total. It is true that the planned targets for these improvement programs are well-defined goals, given that the Ministry should have such improvements accomplished during a certain period, but improvement programs are generally intended to define targets in terms of project volume, and in this respect, the large number of the corresponding performance indicators is very likely to be directly indicative of the large number of output-based performance indicators involved. On the other hand, 13 performance indicators have their targets relying on the law, basic policies and/or fundamental principles based thereupon, and 11 of them are on an outcome basis. This high proportion may be explained by the possible elevated level of those targets, as shown, for example, by the case in which the level of targets laid out in the competent minister's basic policy based on the Traffic Barrier Removal Act can be affected and elevated by external factors such as cooperation from private enterprises.

4. Policy Goals and Policy Instruments

(1) Assessment of Policy Instruments Effectiveness

In order to assess the effectiveness of policy instruments which are used to accomplish policy goals in actual performance assessment, it is important to clearly define beforehand policy goals and policy instruments to achieve the goals. This necessitates taking the following actions in advance: (i) To set policy goals on an outcome basis; (ii) To establish, on an outcome basis, performance indicators and/or numerical targets by which performance versus goal should be measured for the relevant policy goals; (iii) To define quantitative scale and qualitative substance of policy instruments; (iv) To identify other external factors than the policy instruments that can affect setting policy goals; and (v) To establish the quantitative or qualitative correlations among the policy goals, the policy instruments, and the external factors. In cases where policy goals are set on an outcome basis and where performance indicators to measure performance against the goals are set on an output basis, civil service measures that directly correspond to the output-based performance indicators will constitute policy instruments, which means that the effectiveness of the policy instruments cannot be assessed. Alternatively, in cases where policy goals are set on an output basis, policy goals, in principle, come in line with policy instruments, which also means that the effectiveness of the policy instruments cannot be assessed.

(2) The Status of the Establishment of Policy Instruments

Under the SGPE, "In order to ensure systematic, rational and proper implementation of policy evaluation, it is required to clarify, in the first place, the correspondence between the policy intended for evaluation and the policy instruments to be employed therein, that is, what instruments should be used for what purpose." It is recognized that two Ministries, i.e., the Ministry of Land, Infrastructure and Transport and the Ministry of Agriculture, Forestry and Fisheries have policy instruments explicitly matched with the purpose of use according to the guidelines. This explicit matching refers to the practice wherein the former Ministry has a "written policy checkup" prepared and the latter has "policy evaluation sheets by policy instrument" prepared, both intended to clarify policy instruments used for each of the policy goals and the status of their implementation.

The Ministry of Agriculture, Forestry and Fisheries has most performance indicators based on outcome, has "policy evaluation sheets by policy instrument" prepared, and has the correspondence between policy goals and instruments analyzed. I have made an analysis of policy evaluation sheets to determine how much the output from office work projects identified as policy instruments in the Ministry has contributed to the outcome-based performance indicators, but no significant quantitative/qualitative results could be obtained under the current

conditions.

The Ministry of Land, Infrastructure and Transport (hereinafter referred to as “MLIT”) has policy goals matched with policy instruments, along with their implementation status, but the Ministry has not yet ensured that the effects of policy instruments on the goals can be clearly stated in figures.

The following analyses will focus mainly on MLIT. In policy evaluation, it is desirable that outcome-based performance indicators are established against outcome-based policy goals, with the effect of policy instruments to achieve these goals being expressed quantitatively by the indicators. In Japan, however, under the present condition of actual performance assessment, quantitative and/or qualitative analysis of the contribution of outcome-based policy goals and policy instruments is not carried out at full length, along with, at the very most, policy instruments and their implementation status clearly specified. As it happens, MLIT has a fifty-fifty component ratio of output-based performance indicators for which the relation between policy goals and policy instruments is easy to understand and outcome-based performance indicators for which such relation is not easy to understand. On this account, the rest of this chapter will take up this Ministry for categorization and analysis of policy goals to characterize policy instruments in the context of outcome-based performance indicators.

(3) Policy Goals and Policy Instruments in MLIT

A. Results of Policy Checkup

In the fiscal 2002 annual policy evaluation report, MLIT summarized the results of its policy checkup in the following format for each of the relevant policy goals:

- (i) Numerical targets
Numerical targets, targeted fiscal year and measured actual performance
- (ii) Performance indicators
Definition of performance indicators, basic principles for setting numerical targets, and trends in measured actual performance
- (iii) Major civil service measures
 - Outline of major civil service measures
 - Other relevant bodies
- (iv) Results of measurement and assessment
 - Analysis of performance versus goal for the relevant policy goals
Trend of performance indicators, and implementation status of the measures
 - Directionality of future activities
Setting new goals and others
- (v) New activities planned for fiscal year 2003
- (vi) Departments and agencies in charge

In conducting policy checkup, MLIT puts emphasis on the role of facilitating improvement of field management by inspecting performance versus goal on a regular basis rather than on the role of reporting performance versus goal regularly to the public, regarding the predetermined policy goals and performance indicators as a national commitment. Under these circumstances, the predetermined policy goals and performance indicators are taken as a “motivation” for facilitating self-improvement of field management rather than the only absolute objective. Consequently, the contents of policy checkup attach more importance to checking whether or not administrative operations are always conducted with these policy goals and performance indicators in mind or, in the case of poor performance versus goal, whether or not a root cause analysis and/or check of the implementation status of relevant measures are properly conducted, rather than checking the status of performance versus goal itself for the performance indicators.

B. Categorization of Policy Instruments

To analyze MLIT's major civil service measures, their policy instruments were broken down into ten (10) categories: (i) directly controlled projects; (ii) subsidy-based projects; (iii) public-corporation-executed projects; (iv) financing; (v) tax system; (vi) regulations; (vii) support; (viii) improvement of the execution system; (ix) dissemination and enlightenment; and (x) research and development (see Table 3).

Table 3

Major Category	Category
Direct measures	(i) Execution of directly-controlled projects: Executed at a site office which is one of the regional branches of MLIT . (ii) Subsidy-based projects: The Ministry will have local public bodies execute them by delivering subsidies to those public bodies. (iii) Public-corporation-executed projects: Urban Development Corp. and others will execute them.
Indirect measures	(iv) Financing: The Ministry will have private enterprises execute them by financing those enterprises. (v) Tax system: Intended to facilitate execution of projects by taking special measures such as tax reduction or abolition. (vi) Regulations: Intended to facilitate flexible execution of projects by relaxing or tightening regulations. (vii) Support: Intended to support other bodies involved in the projects.
Improvement of the execution system	(viii) Improvement of the execution system: Intended to fully equip the Ministry with human and material resources. (ix) Dissemination and enlightenment: Aimed at private enterprises and the public at large, disseminating and enlightening activities will be conducted regarding the relevant measure. (x) Research and development: Research and development will be made on techniques by which the relevant measure should be executed.

C. Aggregation by Individual Policy Instruments

The results of policy checkup covered the results of performance indicators for each of 97 subordinate policy goals under 27 policy goals (specifically, 112 performance indicators for which the results for fiscal year 2002 were available) and the outline of measures as policy instruments (see Table 4).

Table 4

Item	Policy Goal	Subordinate Policy Goal	Performance Indicator	Policy Instruments
Direct measures	27	97	112	172
Example	Realization of a barrier-free society	To establish barrier-free housing	Proportion of barrier-free housing stock	- Supply of barrier-free housing by means of subsidy - Supply of barrier-free housing by means of financing - Improvement of standards for the senior-friendly housing

In the present analysis, in addition to aggregation of policy instruments used for each of the policy goals which were reported in the fiscal 2002 policy checkup, aggregation according to major categories was made to characterize policy instruments involved in outcome-based and output-based performance indicators (see Table 5). Typically, multiple policy instruments are employed for each of the policy goals, and this survey covered 172 policy instruments which were identified as policy instruments instead of being limited to “one policy instrument per goal.” The result of aggregation shows that execution of directly controlled projects accounts for the largest proportion of the 97 policy goals and that execution of projects by means of delivering subsidies accounts for the next largest proportion, which indicates that under the present situation, direct policy instruments such as directly controlled projects and subsidy-based projects are predominant. Other policy instruments, with all variations in number, largely account for about a half as much as those of directly controlled projects.

D. Characteristics of Policy Instruments

Policy goals matched with outcome-based performance indicators are distributed uniformly among three major categories, with their proportion ranging from approximately 50% to 60%. Reflecting on the possible effect of external factors which are beyond the control of MLIT on the attainment of objectives, the proportion of direct measures is higher than that of indirect measures. It is not so clearly shown what categories of political instruments are most effective for outcome-based performance indicators, unlike the case with output-based indicators for which direct measures are shown to be most effective. The relatively uniform distribution among the major categories of direct measure, indirect measure and improvement of the execution system as shown by the results of this survey is likely to imply the difficulty of factor analysis for outcome-based performance indicators.

In the case of policy goals matched with output-based performance indicators, direct measures are employed in 39 (81%) of 48 policy goals. This proportion is higher than 61% for policy goals matched with outcome-based performance indicators. In the major category of improvement of the execution system, 4 policy goals including the improvement of the bidding system employ such policy instruments as shown in Table 6. The fact that these policy goals have not employed any policy instrument which falls into the major category of direct or indirect measures is presumably explained by the inference that the contents of the four performance indicators belong in the stage of introduction and/or promotion of the system and have not yet reached the direct or indirect measures.

E. Future Issues for Policy Goals and Policy Instruments

Needless to say, it is desired in actual performance evaluation that policy goals are set on an outcome basis, that outcome-based performance indicators with numerical targets matching the policy goals are established, that a contribution analysis is made of policy instruments to achieve the goals, further, that output-based performance indicators with numerical targets are also established for the policy instruments, and that performance versus goal is measured and assessed both for outcome-based performance indicators for policy goals and for output-based performance indicators for policy instruments. To realize such an actual performance assessment system, the policy evaluation system needs to synchronize with the budgetary system, the reform of the public accounting system, and the national personnel system.

Table 5

Category	No. of Goals	Direct Measure			Indirect Measure				Improvement of the Execution System		
		Execution of directly-controlled projects	Subsidy-based projects	Public-corporation-executed projects	Financing	Tax system	Regulations	Support	Improvement of the execution system	Dissemination and enlightenment	Research and development
Policy Goal (matched with outcome-based performance indicators)	47	13	17	4	11	12	7	10	14	12	5
Policy Goal (matched with output-based performance indicators)	48	26	17	2	4	1	1	1	9	2	1
Policy Goal (matched with both types of performance indicators)	2	1	2	0	0	0	0	0	0	0	0
Total	97	40	36	6	15	13	8	11	23	14	6
Proportion 1		23%	21%	3%	9%	8%	5%	6%	14%	8%	3%
Policy Goal (matched with outcome-based performance indicators)	47		29							23	
(Proportion 2)			61%							48%	
Policy Goal (matched with output-based performance indicators)	48		39			6				11	
(Proportion 3)			81%							22%	
Policy Goal (matched with both types of performance indicators)	2		2			0				0	
(Proportion 4)			100%							0%	

Note 1: The proportion 1 is calculated by dividing the total of individual policy instruments by the total number of policy instruments, 172.

Note 2: As far as major categories are concerned, a policy instrument which falls into any one (for example, "directly controlled projects") of the ten categories counts as one in the relevant major category (for example, "direct measure"). Conversely, multiple instruments (for example, three policy instruments of directly-controlled projects, subsidy-based projects, and public-corporation-executed projects) which are employed in a performance indicator also count as one in the relevant major category (for example, "direct measure").

Note 3: The proportion 2, 3 and 4 are calculated by dividing the total of policy instruments falling into the relevant major category by the relevant number of goals.

Table 6

Subordinate Policy Goal	Performance Indicator	Policy Instrument
To eliminate inferior or ineligible constructors in the construction industry	The status of introduction of an orderer-support data base system	- Strict checks of operations of the systems of full-time supervisors working on site by practical use of an orderer-support data base
To promote improvement of public works bidding and contracts	The status of information disclosure relating to bid contracts required by the Act of Improvement of Public Works Bidding and Contracts	- Development of the system of publishing public information relating to bidding contracts in public works under MLIT's direct control - Follow-up of the implementation status of the Act of Improvement of Public Works Bidding and Contracts and guidelines for such improvement
To promote computerization of public works bidding	Proportion of the execution of electronic bidding	- Promotion of electronic bidding
To promote computerization of nation's administrative procedures	Proportion of procedures for application/notifications that have gone on-line	- Improvement of the system aimed at having on-line procedures for application/notifications - Legal moves aimed at having on-line procedures for application/notifications

Note: This table was adapted from the fiscal 2002 annual policy evaluation report prepared by MLIT.

At present, while seventy (70) percent of the policy goals adopted in practice are outcome-based goals, seventy (70) percent of performance indicators matched with policy goals are output-based indicators, as stated previously. There is also a question as to the appropriateness of the adopted outcome-based performance indicators. As far as policy goals and policy instruments are concerned, because of the current predominance of output-based performance indicators in number, policy instruments are translated into budget enforcement of MLIT's directly controlled projects and subsidy-based projects. On the other hand, even for policy goals matched with outcome-based performance indicators, it is not clearly defined, under the present circumstances, what policy instruments should be employed to achieve the goals, unlike the case with policy goals matched with output-based performance indicators. For the purpose of grasping the effects of policy instruments on policy goals, the Ministry of Agriculture, Forestry and Fisheries makes it a rule to keep track of the effects of policy instruments by micro data at a project level to understand the effects of each project. However, in cases where it is difficult to obtain micro-based data on the relevant project or to separate the effects of other projects, due to constraints on project data, it is required to do so by utilizing case examples and/or estimating environmental shifts at the micro level based on macroeconomic conditions. In reality, except for some cases in which effects of each of the policy instruments are aggregated for quantitative analysis, geographic segment analysis of such effects is, in many cases, no more than qualitative analysis of the present conditions, falling short of quantitative contribution analysis.

The appropriateness of outcome-based performance indicators as matched with outcome-based policy goals cannot be determined until future accumulation of results at government ministries and agencies. To this end, it should be ensured that outcome-based performance indicators can be measured in an economic and timely manner. Under the existing circumstances, in conducting actual performance assessment, it will be useful to clarify the relation with specific policy instruments for policy goals and to deepen the evaluation analysis to the level of policy instruments as needed. In particular, it will be necessary to ensure that output-based performance indicators and numerical targets for policy instruments, which are prerequisites for contribution analysis and quantitative analysis of policy instruments, can be established and measured for their actual performance to clarify the effect of output-based performance indicators on outcome-based performance indicators.

5. Actual Performance Assessment and Auditing

(1) Modes of Indicated Matters

Audit reports prepared by the Board of Audit in conformity with Article 90 of the Constitution include Improproprieties, Presented opinions / Demanded measures, Measures taken, Special description, and Special reports on audit implementation, which are collectively called “Indicated Matters” and are summarized in Table 7.

While the modes of these matters are generally presumed to decrease the competent authority’s responsibility in the order of (i) Improproprieties, (ii) Presented opinions / Demanded measures, (iii) Measures taken and (iv) Special description, an equivalent criterion of unreasonableness is basically applied not only to the mode of indication, but also to individual matters. In the case of subsidy, any loss incurred by the state with regard to individual indicated matters is recovered by such moves as “cancellation of the decision to deliver subsidy,” “revision of the sum of subsidy,” and “voluntary reimbursement of subsidy,” and an additional fee is charged in case of cancellation of the decision to deliver subsidy.

(2) Effectiveness Auditing

Generally, “performance audit” is regarded as a combination concept of economy, efficiency and effectiveness audits, out of the standpoints of accounting audit comprising (i) correctness, (ii) conformity with the law and regulations, (iii) economy and efficiency, and (iv) effectiveness. The modes of indicated matters involved in performance audits include Presented opinions / Demanded measures, Measures taken, Special description, and Special reports on audit implementation, except Improproprieties.

Looking at the implementation status of actual performance assessment, the necessity, effectiveness and efficiency of policy instruments are subject to such assessment, but the focus is on the assessment of effectiveness. Therefore, effectiveness auditing will be strongly implicated in actual performance assessment and audit reporting.

Table 7

Type of Indicated Matters	Description	Legal Grounds
Improproprieties	Matters found violating the law, executive orders and/or budget, or which are unreasonable in terms of economy and efficiency	Article 29, Section 3 of the Board of Audit Law
Presented opinions / Demanded measures	- Matters requiring remedial measures to correct accounting treatments found as illegal or unreasonable or to prevent recurrence thereof	Article 34 of the Board of Audit Law
	- Matters for which representation/remedial measures were required with regard to statutes, systems or administrative procedures that necessitate improvement	Article 36 of the Board of Audit Law
Measures taken	Matters for which the competent ministries or agencies have taken remedial measures, motivated by the Board of Audit’s indications requiring representations or remedial measures in the process of its auditing	Article 15 of Regulations Relating to the Application of the Board of Audit Law
Special description	Matters which require special description for their extensive submission for development, etc. in the light of project effects and operations	Article 15 of Regulations Relating to the Application of the Board of Audit Law
Special reports on audit implementation	Descriptions to make clear the audit situation of such issues that strongly attract public attention	Article 15 of Regulations Relating to the Application of the Board of Audit Law

It is impossible to analyze the trend of results of actual performance assessment partly because of the lack of accumulation of such assessment reports due to its short operating history and partly because of the Board of Audit's audit reports based on the results of actual performance assessment being unpublished yet. Instead, the actual performance of effectiveness auditing covered by historical accounting audit reports and a few examples of audit reports from actual performance assessment conducted by competent ministries and/or agencies will be presented in the following section.

(3) Actual Performance Assessment and Examples of Audit Reports

Only a few of recent accounting audit reports cover those measures and/or office work projects which are adopted or employed as policy goals or policy instruments intended for actual performance assessment by relevant ministries and/or agencies. Presumably relevant, in some degree, were three cases in the fiscal 2000 accounting audit report and one case in the fiscal 2001 accounting audit report.

The three case examples in the fiscal 2000 accounting audit report are shown below:

The fiscal 2000 accounting audit report	
Competent authorities: Ministry of Health, Labour and Welfare	<u>Mode of indicated matters:</u> Measures taken
<u>Description of the case:</u> In implementing projects for establishing and/or improving facilities of nursing homes, improvement was made to ensure effective implementation of such projects by revising the selection standard of facilities intended for discussions on government subsidy.	
<u>Implications in actual performance assessment:</u> The Ministry employs the number of established and/or improved facilities of nursing homes as a performance indicator for actual performance assessment. Along the lines of Gold Plan 21, performance is measured by the accommodation capacity of the established/improved facilities. The Board of Audit questioned that some of these facilities had a lower occupancy ratio relative to their capacity. Although the matters pointed out by the Board of Audit also referred to operational problems of these facilities and the causes of their occurrence, an occupancy ratio of such facilities is an integral part of policy instruments by which the relevant policy goal is achieved. (For details of this case, see Case Example 1.)	
Competent authorities: Ministry of Agriculture, Forestry and Fisheries	<u>Mode of indicated matters:</u> Presented opinions
<u>Description of the case:</u> Representations were made to urge the Ministry to effectively implement projects aimed at promoting liquidity of farmland in order to achieve the objective of integrated use of farmland.	
<u>Implications in actual performance assessment:</u> Under the present circumstances, with regard to those projects which are aimed at systematically promoting thorough coordination of farmland-use by obtaining, managing, and exploiting information on establishment of rights of farmland-use and on entrusting/acceptance of agricultural work on a consignment basis, for the purpose of promoting liquidity of farmland to achieve integrated use of farmland, a farmers' intention survey has not been properly carried out and, therefore, information on liquidity of farmland has not been adequately kept track of. The matter in point relates to the operational aspect of projects which involves poor information gathering as a prerequisite for liquidizing farmland, and is positioned as a prerequisite for enforcing policy instruments rather than policy goals for actual performance assessment by the Ministry.	
Subject of audit: MLIT	Special reports on audit implementation
<u>Description of the case:</u> Relating to the status of removal of barriers to traffic around the stations of passenger railroad companies.	
<u>Implications in actual performance assessment:</u> The specified subject of audit is user-friendliness of individual facilities constructed by railroad companies as measured by, for example, actual availability of an elevator(s) to assist wheelchair users.	

The above three cases relate to the operational aspects of individual projects, assuming that the projects themselves are implemented, rather than the implementation status of policy goals or performance indicators in

actual performance assessment. They do not make an issue of the progress or performance versus goal of policy goals and/or performance indicators.

The case in the fiscal 2001 accounting audit report is outlined as follows:

Subject of audit: Ministry of Agriculture, Forestry and Fisheries	Special reports on audit implementation
Description of the case: Operation of the Hilly and Mountainous Areas Grants-in-Aid Direct Payment Scheme	

The Hilly and Mountainous Areas Grants-in-Aid Direct Payment Scheme intended for Special reports on audit implementation is one of the policy instruments for “Hilly and Mountainous Areas Development,” one of the policy goals for actual performance assessment by the Ministry of Agriculture, Forestry and Fisheries, and is an unprecedented scheme in the Japanese agricultural administration history in which the hilly and mountainous areas direct grants-in-aid are delivered to farmers. With regard to this scheme, some of the matters pointed out for consideration in the Board of Audit’s accounting audit report are also included in “policy evaluation sheets by policy instrument” prepared by the Ministry of Agriculture, Forestry and Fisheries, and others are referred to by the Ministry in the report. (See Case Example 2.)

As actual performance assessment is based on the national statistics and is intended for the Ministry of Agriculture, Forestry and Fisheries to conduct self-assessment, the more quantitative techniques are used, the more comparability is obtainable. When less quantitative techniques are used, the comparability and accuracy of the analysis will become lower.

On the other hand, auditing by the Board of Audit is fundamentally based upon practical auditing, and thus the results of audits are supported by data obtained from practical surveys, with a high degree of accuracy of analyses involved therein, but practical surveys are not made of all the projects subject to such analyses.

For example, given that it is impractical to survey the implementation status of a specific subsidy-based project for every prefecture in a year, such survey is carried out for a limited number of prefectures such as twenty five (25) in this case. Up to now, in its audits, the Board of Audit has adopted a practice in which a practical survey is conducted for a part of target prefectures and then its results are analyzed in detail, but, as far as hilly and mountainous areas are concerned, statistical data are used for a part of the audits. It will be possible hereafter to replace or supplement such use of statistical data by utilization of the results of actual performance assessment by the Ministry of Agriculture, Forestry and Fisheries, and conversely, audit report data could be utilized in the Ministry’s “policy evaluation sheets by policy instrument” as is the case with the Hilly and Mountainous Areas Grants-in-Aid Direct Payment Scheme. On the other hand, it should be noted that some of the matters pointed out by the Board of Audit for hilly and mountainous areas this time relate to the operational aspect of office work projects which are recognized as policy instruments rather than policy goals under the Ministry’s actual performance assessment.

6. Conclusion

For future actual performance assessment, it is hoped that an increasing number of policy goals, performance indicators and numerical targets will be set on an outcome and quantitative basis and that contribution analysis and the measurement and assessment of output-based performance indicators will be introduced to assess the effectiveness of policy instruments used to achieve policy goals. To realize this, it is necessary to define the responsibilities of the concerned organizations. Also, the 1997 final report of the Administrative Reform Council says that “assessment by the Board of Audit” is desired for the purpose of improving and strengthening the policy evaluation function of the Administration. In the future, it is expected that the extension of the coverage of

effectiveness audits from office work projects as policy instruments into civil service measures, combined with advancement in both quantification of performance indicators and contribution analysis of policy instruments in actual performance assessment, will strengthen and enhance the function and quality of effectiveness audits and actual performance assessment.

[Reference]

- [1] Azuma, Nobuo (2001), "Problems and Prospects of the Policy Evaluation System of Central Government in Japan," *Government Auditing Review*, Vol. 9.
- [2] Azuma, Nobuo (2002), "Issues and Implementation of Performance Measurement – Seeking Best Practices –," *Government Auditing Review*, Vol. 10.
- [3] Administrative Evaluation Bureau of the Ministry of Public Management, Home Affairs, Posts and Telecommunications (2003), "Reviews of Policy Evaluations Conducted by Relevant Government Ministries and Agencies: Overview for Fiscal Year 2002".
- [4] Administrative Evaluation Bureau of the Ministry of Public Management, Home Affairs, Posts and Telecommunications (2003), "Review Results of Policy Evaluations Conducted by the Fair Trade Commission, Environmental Disputes Coordination Commission and the Ministry of Land, Infrastructure and Transport".
- [5] The Ministry of Public Management, Home Affairs, Posts and Telecommunications (2003), "Report on the Implementation Status of Policy Evaluations and the Reflection Status of their Results upon Policy Making for Fiscal Year 2002".
- [6] The Ministry of Land, Infrastructure and Transport (2003), "The Fiscal 2002 Annual Report on Policy Evaluation by the Ministry of Land, Infrastructure and Transport".
- [7] The Ministry of Agriculture, Forestry and Fisheries (2003), "The Fiscal 2002 Policy Evaluation Results by the Ministry of Agriculture, Forestry and Fisheries".

<Exhibit 1>

Implementation Status of Policy Evaluation in Relevant Government Ministries and Agencies

Administrative Body	Employed Type of Assessment and Evaluated Policies [implemented evaluations]
Cabinet Office	Project Assessment: Projects covered by the FY 2003 estimate budget requests [3] (In addition to the above projects, projects under “Guidelines” for which written assessment was published in fiscal year 2002: Projects relating to the development of Okinawa [1])
	Actual Performance Assessment: (Projects under “Guidelines” for which written assessment was published in fiscal year 2002: Policies in 18 fields of activities [18])
Imperial Household Agency	(There was no new project involved in policy evaluation.)
Fair Trade Commission	Actual Performance Assessment: One (1) administrative activity [1]
	Overall Assessment: One (1) administrative activity [1]
National Public Safety Commission and National Police Agency	Project Assessment: Projects related to important items in the FY 2003 estimate budget requests [17]
	Actual Performance Assessment: 8 primary goals [8] and 25 performance goals [25]
Defense Agency	Advance Project Assessment: New projects covered by the FY 2003 estimate budget requests [18]
	Intermediate Project Assessment: Continuing projects covered by the FY 2003 estimate budget requests [7]
	Ex Post Project Assessment: Completed projects [16]
	Overall Assessment: Systems for performing tasks [16]
Financial Services Agency	Actual Performance Assessment: Goals for 26 policies [26]
Ministry of Public Management, Home Affairs, Post and Telecommunications	Project Assessment: Research and Development by the FY 2003 estimate budget requests [18]
	Actual Performance Assessment: Goals for 83 policies [83]
Environmental Disputes Coordination Commission	Actual Performance Assessment: (Projects under “Guidelines” for which written assessment was published in fiscal year 2002: Policies in charge of the Commission [5])
Ministry of Justice	Project Assessment: Improvement of facilities in charge of the Ministry [2] (Projects under “Guidelines” for which written assessment was published in fiscal year 2002: Improvement of facilities in charge of the Ministry, subsidized projects, and research into judicial affairs [4])
	Actual Performance Assessment: (Projects under “Guidelines” for which written assessment was published in fiscal year 2002: Goals for 25 policies [25])
	Overall Assessment: (Projects under “Guidelines” for which written assessment was published in fiscal year 2002: Improvement of the legal system, and anti-Aum Shinrikyo policy [2])
Ministry of Foreign Affairs	Overall Assessment: Basic policies [20], medium-term measures [50], measures with overriding priority [48], and ODA-based deals [41]
Ministry of Finance	Actual Performance Assessment: 9 comprehensive goals and 31 policy goals [40]
Ministry of Education, Culture, Sports, Science and Technology	Project Assessment (Advance): New or expanded projects covered by the FY 2003 estimate budget requests [56]
	Project Assessment (Advance): Publicly offered or externally evaluated R&D projects conducted in fiscal year 2002 [6]
	Project Assessment (Ex Post): Continuing projects covered by the FY 2003 estimate budget requests [15]
	Actual Performance Assessment: 9 policy goals, 42 goals of measures, and 125 achievement goals [125]
	Overall Assessment: Specific subjects [2]

Ministry of Health, Labour and Welfare	<p>Project Assessment: New or expanded projects covered by the FY 2003 estimate budget requests [51]</p> <p>Project Assessment: Research and development covered by the FY 2003 estimate budget requests [16]</p> <p>-----</p> <p>Actual Performance Assessment: 161 goals of measures [161]</p>
Ministry of Agriculture, Forestry and Fisheries	<p>Project Assessment (Advance/Public Projects): 6,011 sites [6,011]</p> <p>Project Assessment (Advance/R&D Projects): 22 R&D projects [22]</p> <p>Project Assessment (Ex Post/Public Projects): Intermediate assessment –532 sites; ex post assessment–1,008 sites [1,540]</p> <p>Project Assessment (Ex Post /R&D Projects): Intermediate assessment (assessment by fields of research) [3]; Intermediate assessment (assessment of goals of research, and assessment of goals of research set by Research Institute of Agriculture, Forestry and Fisheries) [20]; ex post assessment (assessment of goals of research) [95]</p> <p>-----</p> <p>Actual Performance Assessment: 159 policy goals in 70 fields of policy were assessed; in addition, 180 projects involving policy instruments, the effectiveness of which seemed to be called in question in actual performance assessment, were assessed by policy instruments. [70]</p>
Ministry of Economy, Trade and Industry	<p>(Advance Assessment): New and existing measures covered by the FY 2003 estimate budget requests [130]; advance assessment of regulatory measures based on laws and regulations [3]</p> <p>-----</p> <p>(Ex Post Assessment): Ex post assessment of measures which use funds for public finance [22]; policies which involve unique assessment method for the reason of their characteristics, including R&D projects [3], ODA projects [2] and public projects [4]; ex post assessment of regulatory measures based on laws and regulations [1]; and others (supplementary projects for those carried out in fiscal year 2000) [9]</p>
Ministry of Land, Infrastructure and Transport	<p>(Advance Assessment):</p> <p>Policy assessment: New measures covered by the FY 2003 estimate budget request and/or requests for tax system changes [48]</p> <p>Assessment of individual public projects: [922], including 36 assessments of new projects covered by the FY 2003 estimate budget requests as at the time of their adoption; 878 assessments of new projects directed to the FY2003 budget as at the time of their adoption; 8 assessments of new projects, which were budgeted in mid term of fiscal year 2002, at the time of their adoption</p> <p>Assessment of individual R&D projects: Individual R&D projects by the FY 2003 estimate budget requests [16]; advance assessment [13]</p> <p>-----</p> <p>(Ex Post Assessment):</p> <p>Policy checkup: 27 policy goals [27]; 113 Policies matched with performance indicators [113]</p> <p>Program assessment: Important policy issues [11]</p> <p>Assessment of individual public projects: [1082], including 11 reassessments related to the FY 2003 estimate budget requests, and 1,071 reassessments as assessment directed to the FY 2003 budget</p> <p>Assessment of individual R&D projects: Intermediate assessment [2]; ex-post assessment [13]</p>
Ministry of the Environment	<p>Project Assessment: Assessment of new regulations [1]</p> <p>-----</p> <p>Actual Performance Assessment: Measures executed in or before fiscal year 2001 (with emphasis on 7 fields which should be addressed in fiscal year 2003) [48]</p>

Note 1: The figures in the [] denote the number of implemented evaluations.

Note 2: This table was adapted from the fiscal 2002 "Report on the Implementation Status of Policy Evaluations and the Reflection Status of their Results upon Policy Making" and others.

<Case Example 1>

<p>Matters pointed out for consideration in accounting audit reports</p> <p>The fiscal 2000 accounting audit report (Measures taken)</p> <p>In implementing projects for establishing and/or improving facilities of nursing homes, improvement was made to ensure effective implementation of such projects by revising the selection standard of facilities intended for discussions on government subsidy.</p>	
<p>The Ministry of Health, Labour and Welfare's actual performance assessment sheets</p> <p>Measure goal: To support seniors who need care through proper operation of the elderly nursing-care insurance system</p> <p>Detailed goals of the measure: To improve and strengthen the nursing-care service base in both quality and quantity</p> <p>Performance goal: To secure necessary amount of nursing-care service</p> <p>(Brief description of instruments employed to achieve the performance goal)</p> <p>To provide necessary support to municipal bodies' efforts to establish/improve nursing-care-related facilities, in accordance with Gold Plan 21 which was formulated by adding up the prospective availability of nursing-care service estimated by nationwide municipal governments</p>	
<p>Matters pointed out for consideration in accounting audit reports</p> <ul style="list-style-type: none"> - Under Gold Plan 21, nursing homes with an aggregated capacity of 105,000 persons should be secured by the end of fiscal year 2004. - A survey, conducted on 814 nursing homes with a combined capacity of 31,831 persons, showed an average occupancy ratio of 93.6%. - The survey showed that 26 nursing homes had an occupancy ratio of less than 70%, with vacant rooms for 566 persons. <p>(Situation in question)</p> <p>Some nursing homes had financial difficulties such as default of repayment of money borrowed at the time of their construction.</p> <p>(Cause of occurrence)</p> <p>This is attributed to a lack of investigation of site location and potential occupants' needs.</p>	<p>The Ministry of Health, Labour and Welfare's actual performance assessment sheets</p> <p>(Evaluation indicator)</p> <p>Nursing home: Capacity of 48,257 persons (for fiscal year 2000)</p> <p>(Attainment situation and assessment of the measure goal)</p> <p>The nursing-care service base has been improved and strengthened in accordance with Gold Plan 21, with availability of nursing-care service steadily increasing.</p> <p>(Matters worthy of special description and/or matters pointed out by the Board of Audit)</p> <p>Nothing in particular</p>

<Case Example 2>

Audit situation in accounting audit reports	
The fiscal year 2000 accounting audit report (Special reports on audit implementation) With respect to operation of the Hilly and Mountainous Areas Direct Grants-in-Aid Payment Scheme	
The Ministry of Agriculture, Forestry and Fisheries' actual performance assessment sheets	
Division of policy: Development of hilly and mountainous areas Numerical targets: Sustenance of the ratio of agricultural output from hilly and mountainous areas to that from nationwide (36.7% for fiscal year 2004) (The policy instrument assessment sheet covers 42 policy instruments.)	
Matters pointed out for consideration in accounting audit reports	The Ministry of Agriculture, Forestry and Fisheries' evaluation sheets by policy instrument
Subject matter of survey	
A survey was made of the hilly and mountainous areas grants-in-aid directly paid to 25 prefectures, which amounted to 18.4 billion yen in FY2000 and 18.4 billion yen in FY2001.	Directly paid hilly and mountainous areas grants-in-aid were evaluated in combination with directly paid hilly and mountainous areas development subsidies: Actual performance for FY2002: 35.0% Attainment situation: 101% Attainment ranking: A - The number of municipalities which received the grants: 1,946 - The number of concluded agreements: 33,376 - Areas covered by concluded agreements: 655,000 ha
Findings of survey	
(1) Status of reserved fund in prefectures <u>The amount paid municipalities out of reserved fund was 11.5 billion yen in FY2000 and 14.3 billion yen in FY2001, with the withdrawal for FY2001 being 1.2 times as much as that for FY2000.</u> The balance of fund, however, was 6.8 billion yen as at the end of FY2000 and 10.9 billion yen as at the end of FY2001, the balance for FY2001 being 1.6 times as much as that for FY2000. A considerable amount of funds carried over in some prefectures is presumably attributable to the fact that an actual area amassed under communities' agreements fell short of an expected area for amassment and that the balance of funds in the previous year were not duly considered.	Considering a considerable amount of fund reserved by prefectures at the end of FY2001, the budget for FY2003 was decreased by 10 billion yen. Some prefectures have had a substantial amount of funds carried over. As the decrease in funding for the subject project was less than the fund accumulation (according to the FY2001 accounting audit report prepared by the Board of Audit, payments made out of the reserved fund by the 25 prefectures were about 25.9 billion yen compared to the grants of about 36.9 billion yen delivered by the state), it was found necessary to further decrease the budget in the light of necessity, and the scale of project was then reduced in the FY2003 budget by 10 billion yen from the previous year to 23 billion yen.
(2) Implementation status of the subject scheme versus statistical data - <u>The implementation ratio was 86.1% for the 25 prefectures for FY2001.</u> - A survey of abandoned farmland and the implementation status of the subject scheme, based on the 2000 World Census of Agriculture and Forestry, has shown that some of the municipalities with a high ratio of abandoned farming in the hilly and mountainous agricultural areas <u>have a lower implementation ratio.</u>	The ratio of agreement conclusion: 83% There was a difference in progress among municipalities. <u>It was also found that sufficient progress had not been made in mountainous areas that had been faced with unfavorable conditions, such as a high ratio of the elderly and a lot of steep slopes.</u>
- A survey of the implementation status of the subject scheme for sloping ground, based on the Third Basic Survey of Land Use Base Development, has shown that <u>there was a considerable difference in progress for sloping ground among municipalities.</u>	There was a difference in progress among municipalities.

<p>- Compared to rice fields, less progress has been made in other crop fields.</p>	<p>There was a difference in progress among types of land use, and, in particular, <u>conclusion of agreements was delayed for gently sloping fields.</u></p>
<p>- The differences among municipalities in process in which target farmlands were selected, including the choice of standards of target farmlands, have made a considerable difference in the implementation status of the subject scheme among the municipalities.</p>	<p>No finding.</p>
<p>(3) The reason community agreements have not been concluded in some target farmlands</p> <p>A survey of municipalities which had a gap between the area of target farmlands and that covered by concluded agreements showed the following: The area of target farmlands for which community agreements had not been concluded from lack of leading farmers in the community and/or the rapid aging of farmers accounted for 70% of the total. <u>In some cases, community agreements had been concluded only for a part of the target farmlands. Approximately 60% of nonagreement farmlands were either owned by those farmers who had not participated in community agreements because of advanced age or already abandoned.</u></p> <p>As stated above, the reason for nonparticipation in community agreements is tied to the factor that has contributed to the increase in abandoned farmlands in hilly and mountainous areas. It also relates to social or structural issues that would be difficult to solve within the framework of the subject scheme.</p>	<p><u>Less progress has been made for farmlands located in communities with a high ratio of the elderly and abandoned farmlands.</u></p>
<p>No finding.</p>	<p>The ratio of municipalities which have implemented the scheme: 93%</p> <p>The number of participating farm households: 610,000</p> <p>Under the scheme, an area of 7,300 ha of farmlands was incorporated into the agricultural developing farmlands.</p> <p>An area of 154 ha of one-time abandoned farmland has been restored.</p>
<p>Summarizing remarks</p>	
<p>In some prefectures, a considerable amount of funds were carried over because the area of farmlands for which community agreements had been concluded fell short of the area planned for implementation. Given that this situation remains unchanged, further increase of the fund balance is expected. In addition, some municipalities had a lower implementation ratio, in spite of their higher ratio of abandoned farmlands, and others made less progress in sloping lands. There was also a trend toward a standstill of conclusion of community agreements due to social and structural factors, such as a lack of leading farmers.</p> <p>Therefore, it is hoped that the Ministry and municipalities will promote the scheme more effectively, with considerations for improvement in mind, to ensure that the purpose and objectives of the subject scheme be completely achieved.</p>	<p>Necessity to improve effectiveness and efficiency: Seeing that, in spite of the reduction of the budget scale for the FY2003 budget, there are a substantial amount of reserved funds in some prefectures and that the overall ratio of agreement conclusion still remains at 83%, hindered by the lower ratio of conclusion for farmlands used as fields for crops other than rice and for those located in communities with a high ratio of the elderly and abandoned farmlands, it is necessary to improve the effectiveness and efficiency of the operation of the subject scheme.</p>