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Session 3: Bureaucracy as an International Problem

Organizational Separations of Public Institutions from the Government in Japan

Prof. Dr. Toru Sakurai, Nihon
University, Tokyo

Contents

Introduction

- I. New Public Management and organizational separation of public institution from the government
- II. Backgrounds, goals and characteristics of IAA (incorporated administrative agency)
- III. Practices of IAA

Conclusion

Introduction

A) Objective

- a. to pick up organizational separations of public institutions from the Government in Japan as a measure of streamlining bureaucracy
- b. to explain background, practices and problems of that measure, and
- c. to clear cut characteristics of streamlining bureaucracy in Japan

Introduction(2)

- B) Preceding researches on the subject (put in chronological order)
- a. Ohsumi, S., *New Public Management: Ideal, Vision and Strategy*, Nihon Hyoronsha, 1999
 - b. Yamamoto, K., *Reforming Public Sector Accounting*, Chuou Keizaisha, 2000
 - c. Honma, M. and S. Saito (eds.), *Toward the Reform of Japanese Local Governments: Applications of New Public Management Methods*, Yuhikaku, 2001
 - d. All these researches do not deal IAAs from business administration and are those before establishment of IAAs in Japan

. New Public Management and organizational separation of public institutions from the government

A) Two characteristics of New Public Management

B) Three forms of public sector reforms and organizational separation

A) Two characteristics of New Public Management

- a. to introduce managerial technique into public sector
 - 1. New Taylorism
 - 2. New managerialism
- b. to introduce market mechanism into public sector
 - 1. Principal agency theory
 - 2. Public choice theory
- c. References
 - 1. Larbi, George A., The New Public Management Approach and Crisis States, UNRISD Discussion Paper, No112, September 1999, pp.12-13
 - 2. Klaus König, Reinventing Government- The German Case, in: Zur Managerialisierung und Oekonomisierung der öffentlichen Verwaltung, Speyer Forschungsbericht

B) Three forms of public sector reforms and organizational separation

a. Criterion of the classification

b. Three reforms of public sector reforms

c. Position of organizational separation in the three forms

a. criterion of the classification

1. Two kinds of governmental functions
 - i. Planning and policy-drafting functions
 - ii. Executing functions
2. Which functions should be transferred to the private or non governmental subject

b. Three reforms of public sector reforms

1. Internal reform

- i. Introduction of managerial techniques and no transference
- ii. Reorganization and evaluation (see Fig.2Plan-Do-See)

2. External reform

- i. Perfect transference of the both kinds of governmental functions
- ii. Perfect privatization , perfect deregulation, decentralization (in case of central government)

3. Middle reform

- i. Transference of executing functions
- ii. Contracting out, PFI and formal or imperfect privatization (in case of mixed enterprise)

c. position of organizational separation in the three forms

1. Which position of the three reforms should organizational separation have
2. Aspect common with middle reform
 - tow kind of the government separate
3. Aspect common with internal reform
 - not transfer to the private

Fig.1 Reform of a central government

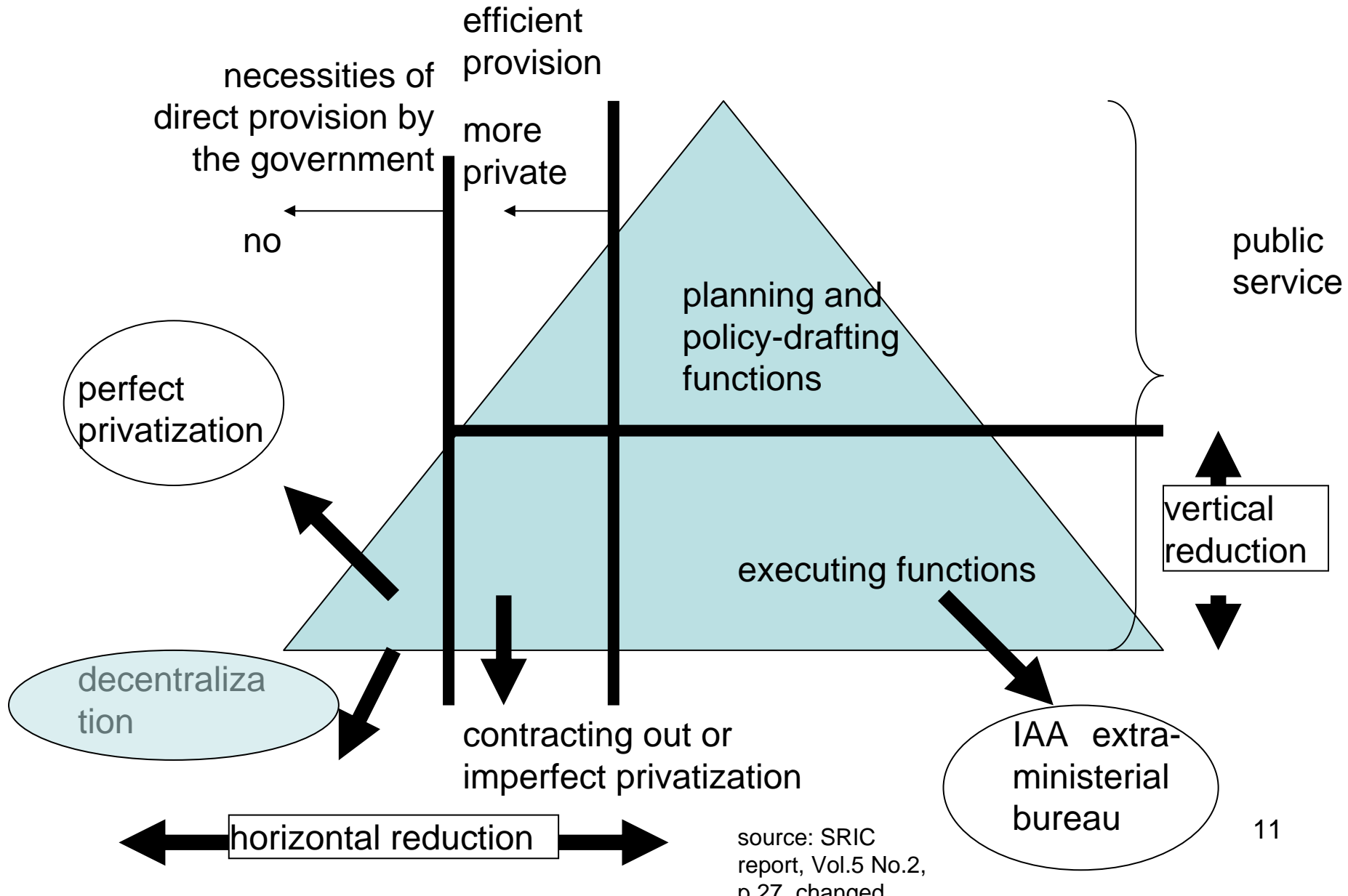
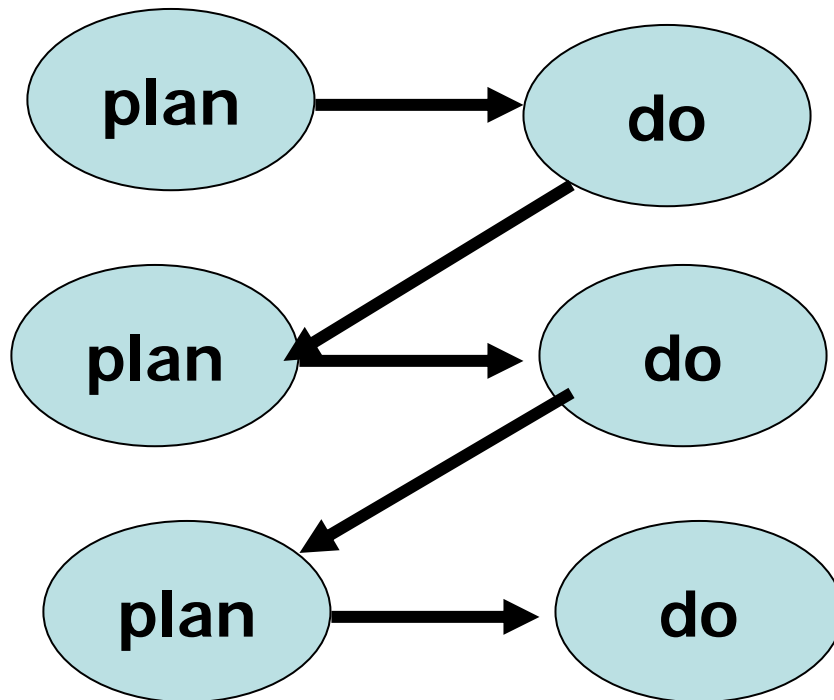
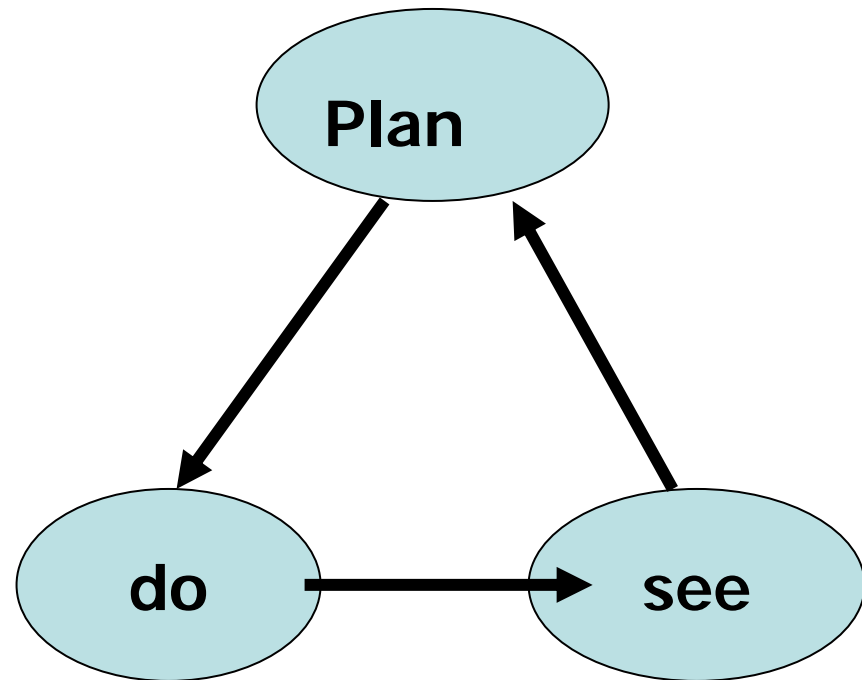


Fig.2 Conventional cycle vs. Management cycle in the government

Conventional cycle



Management cycle



Source: Saitama Prefecture, Method and system of policy evaluation, 1999, cited from Ohsumi, S. Local Government Reform by New Public Management, in: Toward the Reform of Japanese Local Governments: Applications of New Public Management Methods (Japanese), Youhikaku, 2001, p.153.

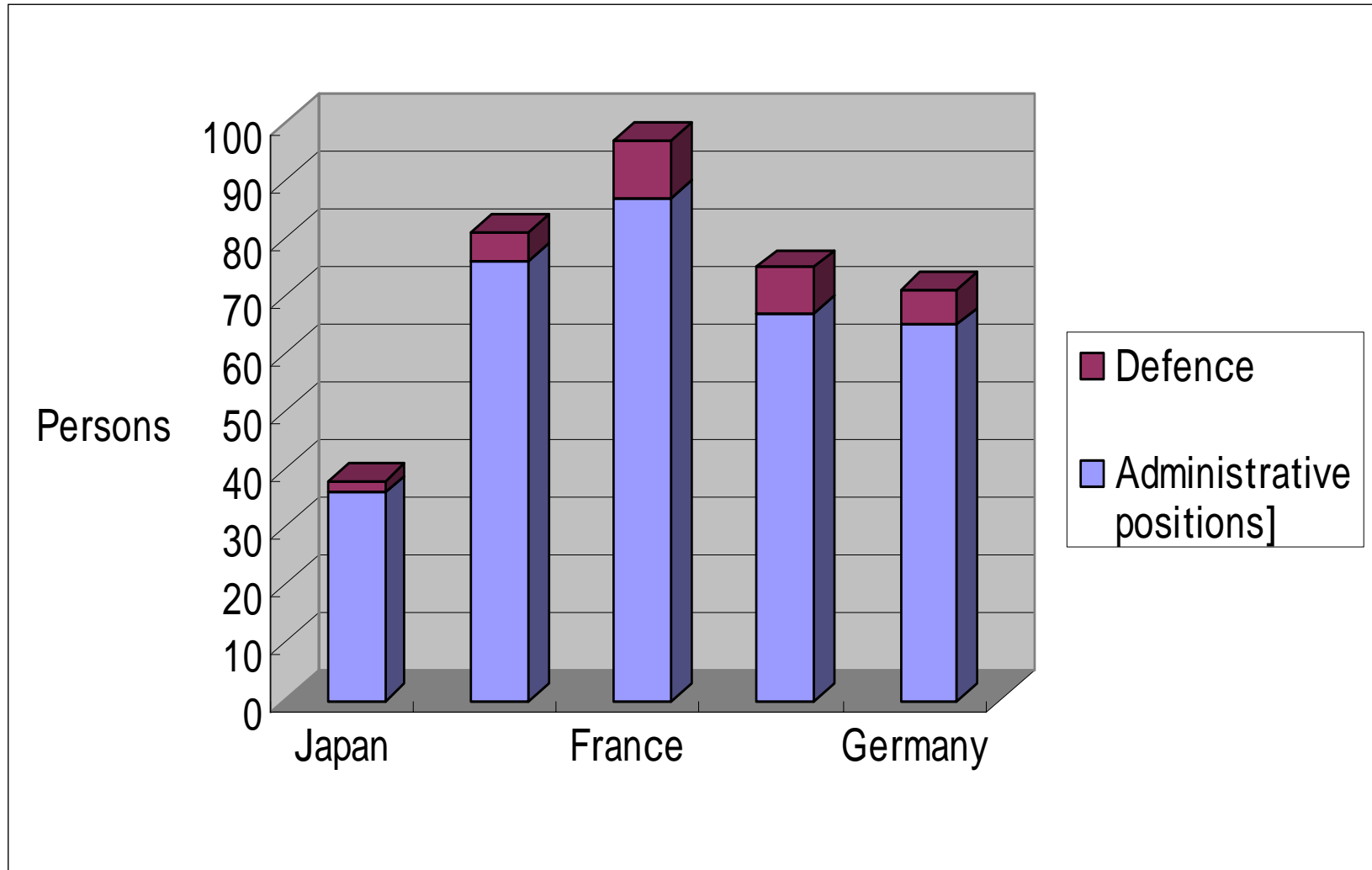
.Backgrounds and characteristics
of IAA (incorporated administrative agency)

- A) History of public sector reforms in Japan
- B) Development of internal or organizational reform and IAA
- C) Characteristics of IAA(1):legal
- D) Characteristics of IAA(2):comparative

A) History of public sector reforms in Japan

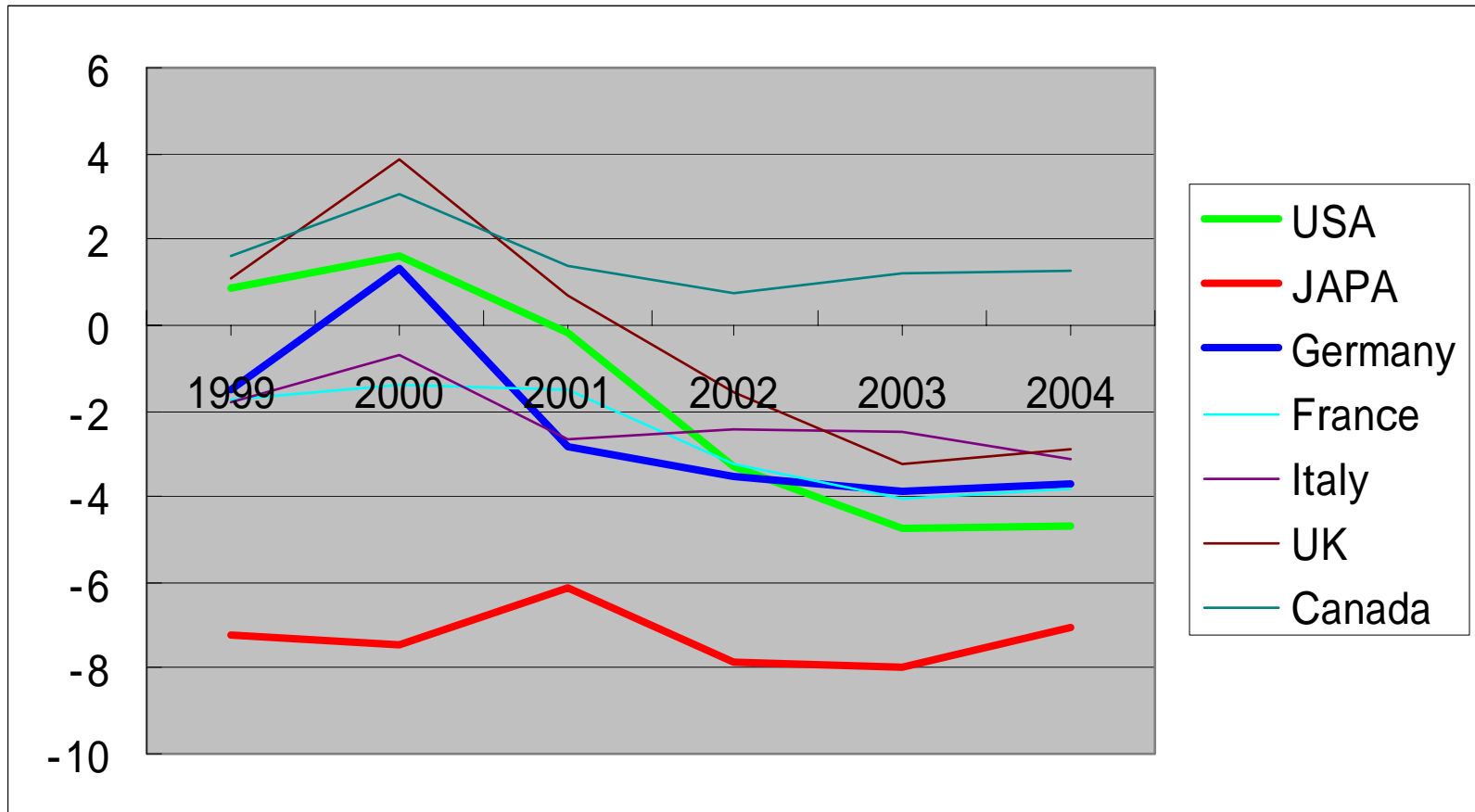
- a. Last half of 1980s: Privatization
- b. First half of 1990s: Deregulation
- c. Last half of 1990s: Central government reform and IAA
- d. First four years of 2000s: under Koizumi
Government three reforms are brought into political agendas simultaneously
 - 1. Privatization: Postal Services, Highways, Airports
 - 2. Deregulation: Postal Services, Electricity, Transport, Telecommunication and labour
 - 3. PFI: Hospital, school, university and city hall
 - 4. Central organization and IAA

Fig.3 International Comparison of numbers of government officials per pupulation of 1,000



Source: Institute of Administrative Management, Japan's government and administration at a glance 2004, Public Management Research Center, 2003

Fig.4 Development of government lending(as a percentage of GDP)



Siource: OECD, Outlook 2004.

B) Development of central government reform and IAA

- a. 21 November 1996: Administrative Reform Council headed by the Prime Minister
- b. 3 December 1997: final report of the Council
- c. October 1998 The Basic Law for Central Governmental Reform: its targets
 - 1. enhancement of the function of the Cabinet ,
 - 2. the sweeping reorganization of national administrative organs (into 1 Cabinet Office and 12 Ministries),
 - 3. the streamlining and efficiency improvement of the administration, and
 - 4. the establishment of the Incorporated Administrative Agency
- d. 6. January 2001 new systems of government ministries and agencies
- e. Incorporated Administrative Agencies, born as a means of vertical reduction of the government , and later a means of public corporation`s reform

C) Characteristics of IAA(1):legal

a. Meaning of IAA

- Semi-governmental entities organizationally separate from the government (OECD, Issues and development in public management-Japan-2000, 2001)

b. Definition of IAA by the Law on the General Rule of IAA

c. Two kind of IAA

1. Special IAAs: whose employee have a status of civil servant
2. The other IAA: whose employee have no such status

d. Powers of a competent minister to a IAA

e. Evaluations by departmental IAA evaluation committees

f. Possibilities to privatize IAA (from internal, through middle and to external reform)

Four Elements of IAA by the Law on the General Rule of IAA

- a. A corporation
- b. Established in order to do efficiently and effectively
- c. Works and projects
 1. necessary from public aspects to carry out without fail
 2. the government as subject must not direct provide
- d. Works and projects of c.
 1. which a private subject would have possibility not to provide fully
 2. which should be provided in a monopolistic way

Powers of a competent minister to an IAA (1)

- to appoint and dismiss the chief of directors of an IAA(§ 20 and § 22)
- to appoint and dismiss auditor(§ 40 and § 43)
- to set forth a medium-term (three to five years) objective of an IAA and to instruct the medium-term objective to the IAA(§ 29)
- to approve a medium-term plan the IAA makes according to the medium-term objective (§ 30)

Powers of a competent minister to an IAA (2)

- to accept a one-year plan based on the medium-term plan from the IAA (§ 31)
- to accept an achievement report for the medium-term objective from the IAA (§ 33)
- to consider, at the end of medium-term plan, the appropriateness of continuing projects and tasks of the IAA, what the IAA should be and all organizational problems the IAA have and to take necessary measures on those considerations (§ 35)

Powers of a competent minister to an IAA (3)

- to accept and approve financial documents of the IAA about balance-sheet, profit-and-loss statement, and treatment of profit and loss (§ 38)
- to approve profits spent outside compensation of losses and clearance into reserves (§ 44, ¶2)
- to approve the IAI taking short-term borrowings that exceed the limit settled in the medium-term plan (§ 45)
- to approve alienation of property and raising a mortgage on property (§ 48)
- to accept a standard of payments to directors such as rewards (§ 52 and § 62)
- to accept a standard of payments to personnel (§ 57 and § 63 ¶2)
- to accept regulations about working hours, rest, holidays and vacations of personnel (§ 58 special IAA)

Tow kinds of evaluation committees and their tasks

- IAA evaluation committees settled in a competent ministerial department
- the policy evaluation and IAA evaluation committee settled in Ministry of Public Management, Home Affairs, Posts and Telecommunications

D) Characteristics of IAA(2):comparative

- a. Comparative characteristics of IAA with British executive agencies as a model of IAA
- b. Separation or not
 - 1. Britain: internal administrative organization
 - 2. Japan: separation from administrative organization
- c. Aim
 - 1. Britain: efficiency and service quality
 - 2. Japan: efficiency , service quality and lean
- d. Control
 - 1. Britain: duty of reporting to parliament
 - 2. Japan: no duty to parliament
- e. Range
 - 1. Britain: only public institution, neither NDPB nor Quango
 - 2. Japan: not only public institution but also public corporations ²⁴

. Practices of IAA

- A) Establishment of IAA
- B) Tow origin of IAA
- C) Scale and human resources
- D) Performance
- E) Evaluation problems

A) Establishment of IAA

- April 2001 57 agencies
- April 2002 1 agency
- July 2002 1 agency
- April 2003 3 agencies
- October 2003 30 agencies
- January 2004 1 agency
- February 2004 1 agency
- March 2004 1 agency
- April 2004 10 agencies
- July 2004 2 agencies
- October 2004 1 agency
- Total 108 agencies

Tab.1 Examples of IAA under Ministry of Education, Culture, Sport , Science and Technology

Ministry of Education, Culture, Sport Sciece and Tecnology	National Institute of Special Education	2001	April
	National Center for University Entrance Examinations	2001	April
	National Olympics Memorial Youth Center	2001	April
	National Women's Education Center	2001	April
	Natinal Youth Houses	2001	April
	National Children`s Center for Outdoor Education	2001	April
	Natinal Institute for Japanese Language	2001	April
	National Science Museum	2001	April
	National Institue for Material Science	2001	April
	National Research Institute for Earth Science and Disaster Prevention.	2001	April
	National Institute of Radiological Sciences	2001	April
	National Museum of Art	2001	April
	National Museum	2001	April
	National Research Institute for Cultural Properties	2001	April
	National Center for Teachers Development	2001	April
	National Agency for the Advancement of Sports and Health	2003	October
	Japan Arts Council	2003	October
	Japan Science and Technology Agency	2003	October
	Japan Society for the Promotion of Science	2003	October
	Institute of Physical and Chemical Research	2003	October
	National Aerospace Laboratory of Japan	2001	April
	Japan Aerospace Exploration Agency	2003	October
	Japan Student Services Organization	2004	April
	Japan Agency for Marine- Earth Science and Technology	2004	April

B) Tow origin of IAA

- a. public institutions within departments (including national universities)
- b. public corporation (different from that of Britain)

C) Scale and human resources IAA

a. Scales

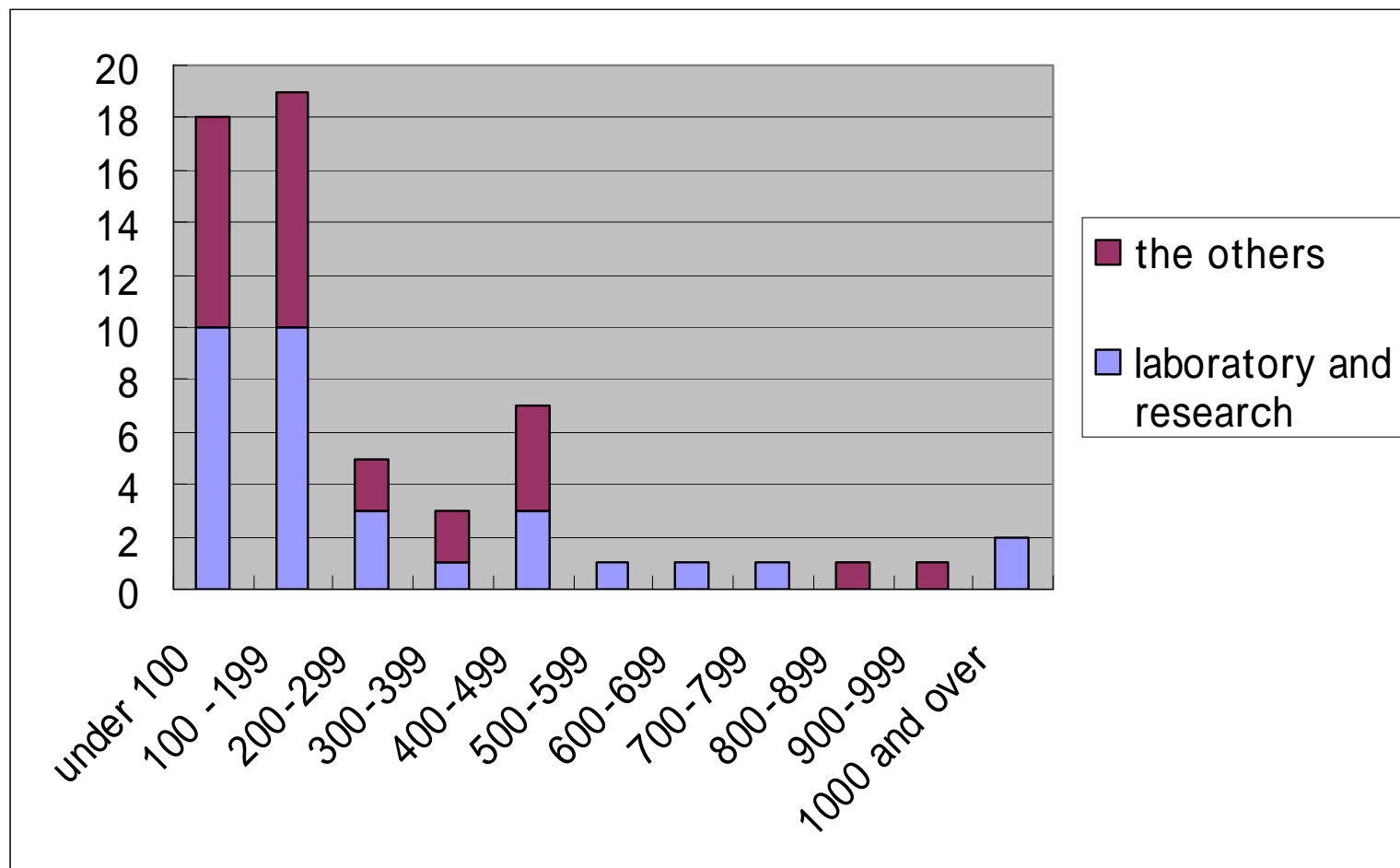
- number of employee
- capital amount

b. Directors

- problems of heaven descendant

c. Performance

Fig.5 IAA s by personnel scale and by fields of activity (as of January 1.2003)



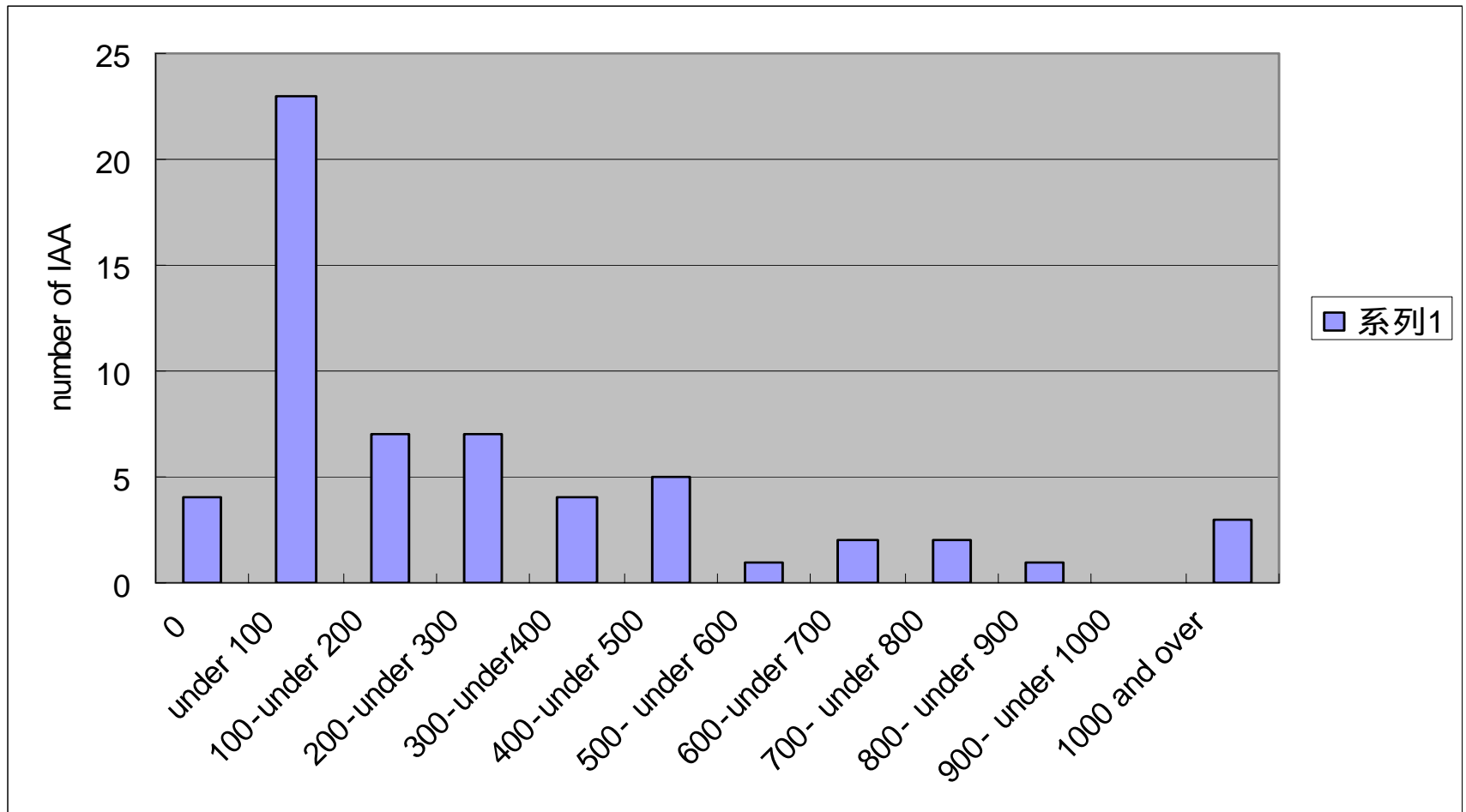
Tab.2 Number of Employees in 57 IAAs comparable year on year

April-01	17,684
Jan-02	17,389
Jan-03	17,342

Source: Policy Evaluation Committee, Annual Report 2002, p.

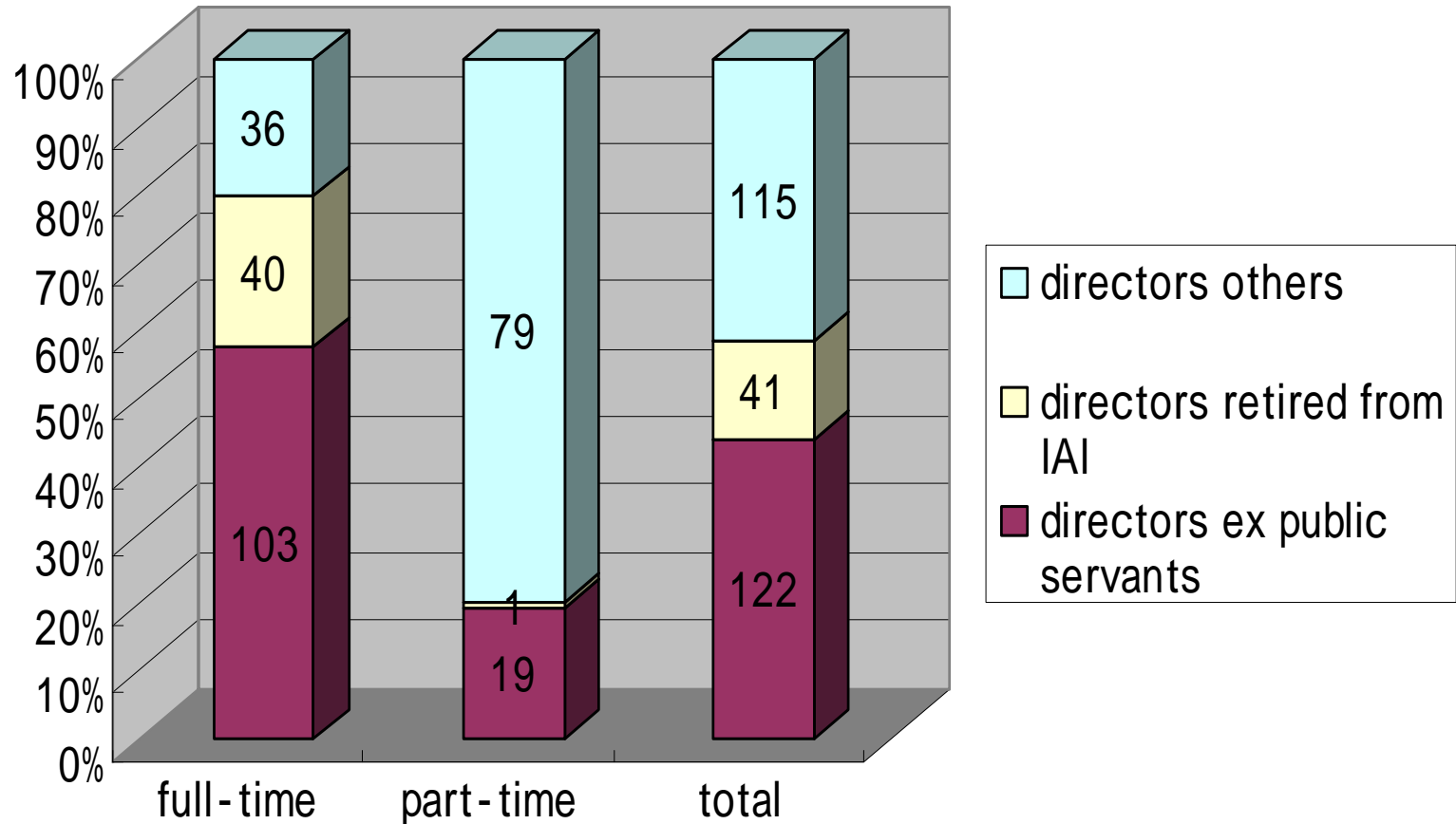
Fig.6 Number of IAAs by the capital scales

(million dollars)



note: converted from yen to dollar calculated with a convenient ratio. 100 yens=1 dollar

Fig.7 the percentage of retired civil servant in directors of IAA (as of September 1,2002)



D) Performance

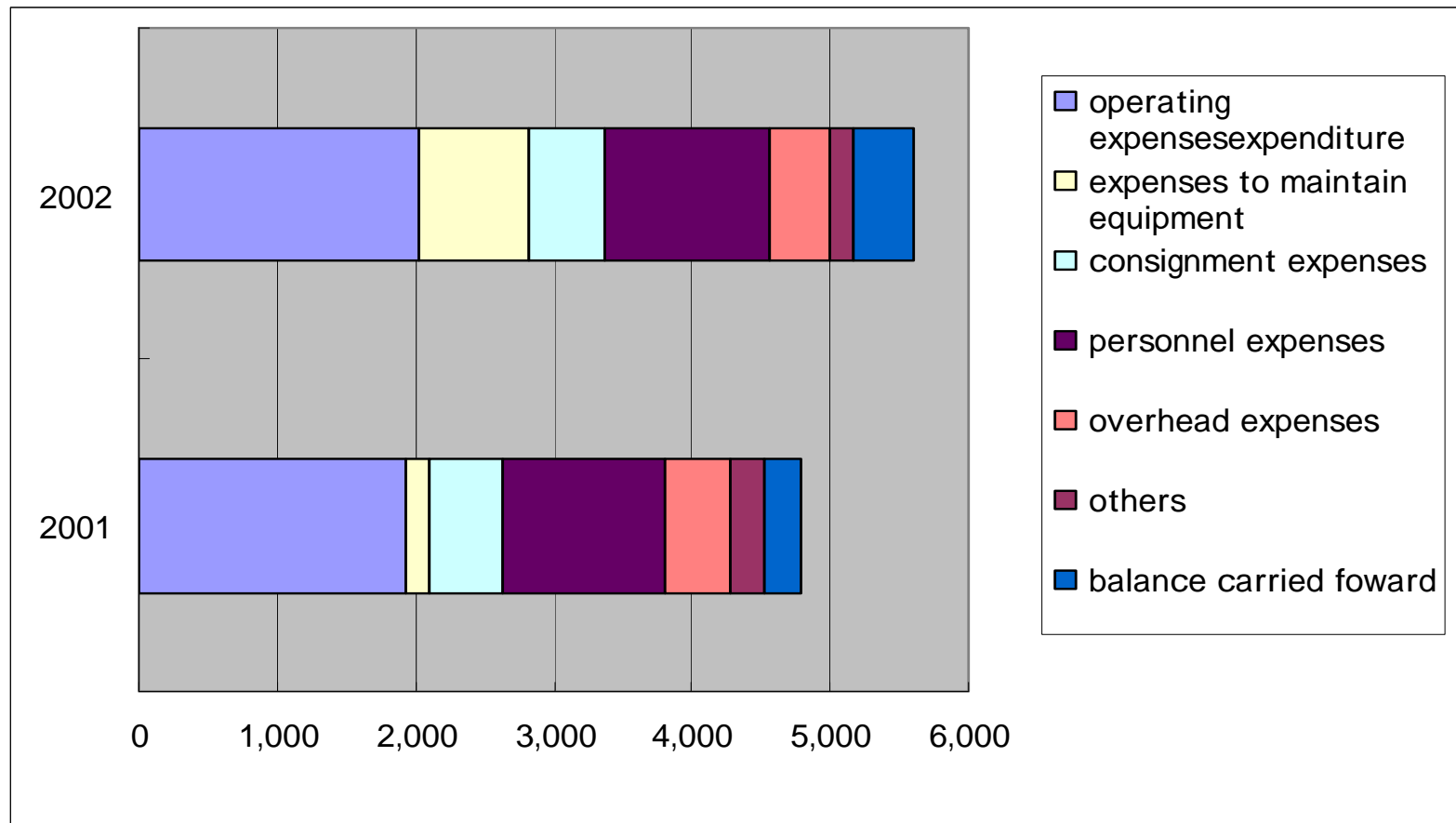
- a. composition of revenue
- b. composition of expense
- c. profit and loss
- d. problems of accounting: difficulties caused from that accounting of Ministry is departmental one but accounting of IAA is business one

Fig.8 Budgets (revenues) of 54 IAAs comparable year on year (million dollars)

年度	運営交付金	施設整備補助金	受託収入	自己収入	無利子貸付金	その他	合計
2001	2,813	150	452	484	0	100	4,000
	70.3%	3.8%	11.3%	12.1%	0.0%	2.5%	100.0%
2002	2,806	140	505	413	455	283	4,603
	61.0%	3.0%	11.0%	9.0%	9.9%	6.1%	100.0%
2003	2,780	270	582	448	122	452	4,654
	59.7%	5.8%	12.5%	9.6%	2.6%	9.7%	100.0%

Source. Policy Evaluation Committee, Annual Report 2002, p.

Fig.9 Budgets (expenses) of 57 IAAs comparable year on year (million dollar)



Source: IAA Compendium, 2003 and 2004.

Tab.3 profit and loss of IAAs (the 2003 fiscal year)

	profit	break-even	loss
number of IAAs	52	1	4
ammount (ten thoutand dollars)	49,935	0	- 10

Note: converted from yen to dollar calculated with a convenient ratio, 100 yens=1 dollar

Tab4. membership of departmental IAA departmental evaluation committees (as of April 2002)

deparmental IAA evaluation committee of	members in IAA evaluation committees	mumer of IAA valuated by committe es
Cabinet Office	7	2
Ministry of Public Management, Home Affairs, Pos and Telecommunications	7	2
Ministry of Finance	7	1
Ministry of education, Culture, Sports , Science and Technology	30	16
Ministry of Health, Labour and Welfare	15	3
Ministry of Agriculture, Forestry and Fisheries	29	17
Ministry of Economy, Trade and Industry	14	5
Ministry of Land, Infrastructure and Transport	29	11
Ministry of Environment	7	1
total	145	58

E) Evaluation problems

a. Medium-Term Objective

1. Efficiency: usually cut 1 % of operating subsidies
2. Service quality : abstract
3. Finance; to raise up self made revenues and to balance budget

b. “Transaction cost”

1. Work load lack of information
2. Cost of evaluation
 - i. Cost of IAA to inform and report performances
 - ii. Cost of evaluation committees

Conclusion

- A) IAA is a means of vertical reduction and has a possibility of abolition or privatization
- B) IAA contribute to decreases in number of central government personnel
- C) But dimension of its contribution are relatively small because of scales of IAA
- D) Moreover independency and efficiencies of IAA are up to now not realized
- E) Evaluation problems exist