Developments in Administration: The e-Journal of the IIAS, the IASIA, and the Regional Groups of the IIAS

Développements de l’administration: La revue numérique de l’IISA, de l’AIEIA et des groupes régionaux de l’IISA

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Policy-Making Powers of the Japanese Prime Minister after the 2001 Reforms: Another “presidentialisation” case?

Susumu KAMIMURA

Japan's central government reforms in 2001 introduced a new approach to policy decision making, by implementing institutional measures that gave the Prime Minister a genuine centre of power. These measures included legal clarification of the Prime Minister's power to make proposals at Cabinet meetings, reinforced the Cabinet Secretariat's planning function, and created the Cabinet Office (in particular, the Council on Economic and Fiscal Policy). This paper examines the context behind this drastic transformation, and how these changes were implemented. It also documents the consequences of this power shift, by providing numerical evidence of increases in the Prime Minister's staff complement, the augmentation of administrative bodies that report to him, and the extent of the legislative power now under his direct authority. Based on these analyses, this paper concludes that this strengthening of the Prime Minister's power represents a Japanese version of the well-known “presidentialisation” framework described by Poguntke and Webb.

*The author thanks Professor Koichiro Agata (Waseda University) for his help and Mr. Thomas Lockley (Senior Lecturer at Nihon University) for checking and revising his English.

**This article is based on a paper presented at the International Congress of the International Institute of Administrative Sciences (IIAS) held in Aix-en-Provence from May 28 to June 1, 2017.
INTRODUCTION

The concentration of power in the executives of advanced industrial countries—and particularly at the most senior levels—has been well documented (Peters et al., 2000). Warshaw (1996) describes this tendency in the United States as “the failure of Cabinet Government.” Poguntke and Webb (2005) reviewed this practice in 14 countries (11 European countries, the United States, Canada, and Israel), and termed it “presidentialisation,” which means “to offer far executive power resources to the leader of the executive while, at the same time, giving him or her considerable autonomy vis-à-vis the political parties.”

The three faces of this power shift include a) strengthening leaders’ power, b) giving leaders more autonomy, and c) personalizing the electoral processes. Japan’s central government reforms in 2001 greatly reinforced the Prime Minister’s powers, and especially so in the policy-making field, by removing Prime Ministers from the constraints previously imposed by having to address challenges from other ministers, and allowing them resist pressures from their own parties. The author has likened these experiences to the notion of “presidentialisation”. This paper examines and responds to the following questions:

1. Has the presidentialisation phenomenon described by Poguntke and Webb (2005) occurred in Japan?
2. If so, to what extent is the presidentialisation framework suitable for Japan's governing process?

1This reform was particularly significant in Japan's post-WWII history, and included various themes such as the fusion of ministries and the creation of Independent Administrative Institutions (a Japanese version of the UK's administrative agencies). This paper focuses mainly on its “presidentialisation” aspects.
3. Has any element in Japan not been anticipated by the presidentialisation model?

THEORETICAL FRAMEWORK

This section explores each of the three faces or aspects of presidentialisation in turn, beginning with the political executive’s increasing leadership power and autonomy\(^2\). Seven indicators were analyzed to quantify this power shift, of which three were found to be particularly important\(^3,4\). The three faces or aspects are the following:

An increase in the resources at the disposal of the chief executive (Indicator 1)

An increase in the chief executive’s centralized control of and coordination over policy-making (Indicator 2)

A growing tendency of chief executives to appoint non-party technocrats, or to rapidly promote politicians without a distinctive party power base (Indicator 3)

The second aspect reflects intra-party presidentialisation that means an increase in political parties’ leaders’ power and autonomy. In this context, the head of the executive is well protected from pressures that might be exerted by his own party. His power to lead depends directly on his electoral appeal, and party activists and factional party leaders cease to be a decisive power base. Increasingly, leaders seek to bypass sub-leaders, and communicate

\(^{2}\) Poguntke and Webb (2005)
\(^{3}\) Ibid.
\(^{4}\) The other four indicators are: trends toward an integrated communications strategy controlled by the chief executive as a means of defining policy alternatives, more personal polling, more cabinet shuffles, a prime minister who increasingly invokes a personalized mandate.
directly with party members in respect to programmatic and strategic questions. The third aspect refers to the personalization of the electoral process. In elections, the leader, rather than party, competes for a popular mandate. All aspects of the electoral process are decisively moulded by the leading candidate’s personality, whose public appeal and communication skills are decisive in determining which party will win. This paper focuses mainly on the first aspect, namely the strengthening of leadership power bases.

The shift toward presidentialisation is attributed to four causes or factors: the internationalisation of politics, the state’s increasing growth and complexity, the changing structure of mass communication, and the erosion of social cleavages (such as religion and class). Poguntke and Webb (2005) emphasise influences from the European Union and the International Monetary Fund (IMF), but these factors have not significantly impacted Japan’s politico-administrative situation. Japan, however, is not an exception with regard to the shift toward greater bureaucratic complexity and organizational specialisation many countries are experiencing. The two movements that have derived from this phenomenon are:

The centralisation of power as the core executive seeks to coordinate the state’s “institutional fragments”

The undermining of collective cabinet responsibilities, as the trend towards “sectorised” policy-making precipitates more bilateral contacts between relevant ministers and the head of the core executive

The third factor, changes in mass communication (especially privatised TV) tends to focus on a party leader’s personality, rather than on his or her program, to reduce the complexities associated with exploring political issues. With regard to the fourth factor, coupled with the “end of ideology” or
the political context, traditional links between mass parties and their bases of social groups have been eroded, and social group identities no longer dictate voter loyalties, even as the personal qualities of party leaders became relatively more important for conducting election campaigns. The third and fourth points are well known in Japan, and their influences on the country’s presidentialisation framework are examined in this paper. These factors are also considered in our analysis of the Koizumi administration’s success that concludes this paper.

**ENHANCING THE SUPREMACY OF THE PRIME MINISTER**

The principal reform measures implemented in 2001 to strengthen the Prime Minister’s power are analysed in this section, using Poguntke and Webb’s (2005) presidentialisation framework. The need for institutional change to Japan’s Prime Ministerial powers had long been evident to those worried about governmental malfunctions, and proposed reforms were presented in the Administrative Reform Council’s final report. These can be summarised as follows:

The long-standing “divided-competence rule” (“each member of the Cabinet has a quasi-independent competence”) for implementing policy has impeded crosscutting, strategic, and timely decision-making.

Therefore, Cabinet’s competence has to be strengthened and made more suitable for its comprehensive and strategic policy-orientation role.

To that end, the Prime Minister, the Chief of the Cabinet, must have a legal framework outlining his leadership responsibilities, and thereby ensuring that the Cabinet as an entity manages state politics under the direction of the Prime Minister.

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5 Final report of the Administrative Reform Council (03/12/1997)
Therefore, the Cabinet Act must be revised to clarify the Prime Minister’s powers for making proposals to the Cabinet.

These ideas appear to reflect then-Prime Minister Hashimoto’s wishes. He had been a member of the Administrative Reform Committee (ARC) of the Liberal-Democratic Party of Japan (LDP) since the 1970s, and was regarded as an expert in this field. Prior to his election as Prime Minister, the widely assumed infallibility and effectiveness of Japanese bureaucrats had been undermined by the 1990 economic crisis, and a series of government-related scandals (Zakowski 2015). Hashimoto thought central ministries’ influences were crucial for defining socio-economic aspects, though the government system was suffering “institutional fatigue, “since there had been no substantial reforms since the end of WWII. Japan’s governance situation seemed similar to that of governments such as Denmark, where “a strong Ressortsprinzip (the norm of ministerial autonomy) gave individual ministers control over their policy area” (Peters et al., 2000). Hence, a central government reform intended to create a new “shape of Japan” seemed appropriate for the twenty-first century (Tanaka 2006).

Chaired by Mr. Hashimoto, the ARC’s key objective became creating a new shape of Japan, and the issues discussed in this paper coincide with the above-mentioned second structural cause of presidentialisation, namely the growth and increasing complexity of the state.

**Legal Status of the Prime Minister Before 2001**

Prior to 2001, there was a gap in the country’s legal framework with regard to the Prime Minister’s power. Article 65 of the Japanese Constitution states that Executive power shall be vested in the Cabinet. As for the functions of the Prime Minister, the Constitution of Japan stipulates the following: Article 72 states that “The Prime Minister, representing the Cabinet, submits bills,
reports on general national affairs and foreign relations to the Diet and exercises control and supervision over various administrative branches”.

This article infers that the Prime Minister has a strong power of control and supervision over the ministries. However, the Cabinet Act describes this power under Article 6 as follows: “The Prime Minister exercises control and supervision over various administrative branches on the basis of the principles decided by the Cabinet meeting”6.

Therefore, the Prime Minister can wield this power only with the consent of the Cabinet members who are generally regarded as spokespersons for their ministries. This differs significantly from the French Prime Minister’s constitutional powers, where it is the Prime Minister who leads the Government (a collegial body), and not the other way around:

Article 21 (excerpt)7. The Prime Minister shall direct the actions of the Government. He shall be responsible for national defence. He shall ensure the implementation of legislation. Subject to Article 13, he shall have power to make regulations and shall make appointments to civil and military posts. He may delegate certain of his powers to Ministers.

In addition, according to the Cabinet Act in effect prior to the 2001 revision, although the Prime Minister was able to preside over Cabinet meetings (from where his or her authority derived), it was unclear if he or she

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6 The author translated this article.
could initiate discussions and influence basic policy directions at Cabinet meetings. The need to revise the Cabinet Act was premised on this context.

**The Prime Minister’s power to make proposals within the Cabinet**

Of the 2001 reforms, those regarding the Prime Minister’s and his or her Cabinet Secretariat’s legal status have had numerous impacts on Japan’s political-administrative processes. After the ARC submitted its final report, the Basic Law of the Central Government Act (1998) added the following stipulations:

> Article 6. It shall be expressed clearly in the legislation that the Prime Minister will be able to make a proposition concerning basic state policy (important policies such as foreign and national security affairs, basic principles of administrative and fiscal measures, overall economic policy and budget compilation, administrative organization and personnel affairs) at Cabinet meetings.

Consistent with this provision, the Cabinet Act was finally revised and enacted in 2001 with an additional phrase (underlined) in Article 4, Clause 2.

> Article 4. Official Powers of the Cabinet are exercised by the Cabinet meeting.
2. The Cabinet meeting is presided over by the Prime Minister. In this case, the Prime Minister is able to propose basic principles for important Cabinet policies or other subjects.8

This revision might not seem to invoke a dramatic change, since the Prime Minister had always had clear primacy over other Cabinet members. Now he or she is no longer a mere “primus inter pares” (senior member of a group) as was the case prior to WWII. He or she now appoints the ministers, presides over Cabinet meetings, controls all government branches, and decides on the dissolution of the House of Representatives. In Cabinet meetings, he or she has the right of veto over any agenda item, since the Prime Minister is the only member responsible for all governmental issues.

The objective here might have been to change ministries’ attitudes toward the Prime Minister, since they had lost the leverage to challenge his or her influence. Consequently, this change is regarded as having influenced today’s “Supremacy of KANTEI” (official residence of the Prime Minister) phenomenon. To some extent it mitigated the silo-effect that characterised the government, and allowed the Prime Minister—who no longer had to wait for discussions in the lower agencies to be concluded—to carry out top down decision making. As a result, policy making has become timely, and detached from particular ministries’ interests on important issues such as the privatisation of the National Post Office (Kawabata 2006).

Revisions to the Cabinet Act clarified that the Cabinet Secretariat—the body that most directly assists the Prime Minister—was competent to plan and draft the “basic principles” for important Cabinet policies. The Cabinet Secretariat was also given “comprehensive coordination” powers for important policies. According to the Poguntke-Webb (2005) framework,

8 Translation and underlining by the author.
these revisions could be viewed as increasing the resources available to the Prime Minister, and thereby satisfying the criteria for Indicator 1.

**Expansion of the Cabinet Secretariat**

The Prime Minister required additional high-ranking staff members to fulfil his increasing responsibilities. Three Special Advisors were increased to five, and the positions of three Assistant Cabinet Secretaries, a Cabinet Secretary for Public Relations, and a Cabinet Secretary for Information Research were created or upgraded. Those who were augmented in number were all political appointees. Rose (1976) argued that one of the major barriers to the ability of “party government” to make and implement policy was the relatively small number of political officials relative to the size of the organizations they were meant to control. In practice, these political appointees work closely with the Prime Minister, and under the Abe administration, they are forming a sort of “Team Abe” that underpins his supremacy. This development also satisfies Indicator 1.

Apart from his or her close collaborators and advisers, the staff employees working directly under the Prime Minister are his or her most important resources, as represented by Indicator 1. As Peters observed, if the chief executive’s staff numbers are increasing rapidly, and the support for individual ministers is not increasing at an equivalent rate, this suggests that there has been a concentration of power in favour of the chief executive (Connaughton et al 2008).

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The permanent staff number (based on the budget and Cabinet Order) in Japan’s Cabinet Secretariat has increased about three times, from 377 (FY2000) to 1098 (FY 2016). In addition, the number of staff concurrently appointed from the ministries and attached temporarily to the Cabinet Secretariat were 1645 in 2016, relative to 445 in 2000(Table 1). These numbers may not be negligible, compared to the number of major European parliamentary system executives. For example, the German Chancellor employs fewer than one hundred people. Even following substantial increases in the UK’s Blair government, the UK Cabinet Office employed only a few hundred people (ibid.).

There is also evidence of a proliferation of institutions with special missions (headquarters, councils, special administrations) in the Cabinet Secretariat. In 2000, the Cabinet Secretariat had only one such council (National Security Council), but the number of these bodies continues to grow. In 2012, there were 13 (such as IT Strategic Headquarters and Global Warming Prevention Headquarters). The most recent number is 22.

A remarkable example is the Japan Post Privatization Headquarters. It was this body, not the Ministry of Internal Affairs that had responsibility for Japan Postal Affairs, developed strategies, and drafted bills to reform Japan Post. For issues of such political magnitude and complexity, one cannot overemphasise the significance of having this team report directly to the Prime Minister (Takenaka 2006).

**Creation of the Cabinet Office**

Prime ministerial power lies in the prime minister’s ability to draw on institutional and personal resources that complement and advance his or her formal and informal powers (Heffeman 2003). In this context, institutional reform is especially significant, for “it entails the strengthening of the prime minister’s power-base by furnishing them a department of their own” (Poguntke and Webb 2005).
Since 1970, the UK Prime Minister’s Office and the Cabinet Office have fostered an increasing inter-connectedness, and there now exists “an increasingly integrated core which operates as the central point in the key policy network of the British state”. In Japan’s case, the Cabinet Office was created in 2001 to support the Prime Minister (he is also the head of this organization). While the Cabinet Secretariat assumes essentially a “strategic role,” this office, which was conceived by ARC as a “centre of wisdom and knowledge”, has greatly helped the Prime Minister achieve centralised control and crosscutting coordination of policy-making (Indicator2). Its principal policy functions include economic and fiscal, decentralization, deregulation, science and technology, intellectual property, space exploration, disaster prevention, Okinawa and northern-territories’ affairs, convivial society and children, decoration, and gender equality.

Each office has numerous director generals (bureaus), headquarters, councils, administrative bodies, and other institutions. If we liken the Cabinet Secretariat to the White House in the United States, the Cabinet Office is roughly equivalent to the President’s Executive Office. Unlike the ministries, there are several ministers of state for special missions (such as the Minister of State for Economic and Fiscal Policy) in the Cabinet Office. They are not the heads of ministries, yet share the functions of the Office. These are among the measures that strengthened the Prime Minister’s power.

Staff numbers in the Cabinet Office have not increased at the same scale as the number of its functions. The number of permanent staff employees has increased modestly from 2245 (FY2000) to 2324 (FY 2016), and even declined slightly since 2009 when there were 2360. This decline has occurred primarily at the Okinawa General Bureau that supervises public works on-site in Okinawa prefecture. About 600 temporary staff were attached to the Cabinet Office in 2014, three times more than the 202 in 2000. However, this
number is not as large as the approximately 1600 in the Cabinet Secretariat. This relatively small temporary staff seems to reflect constancy in the Office’s functions\textsuperscript{10}.

As for the bodies, the number of committees, offices and/or institutes has risen from five (such as the Economic and Social Research Institute) in 2000, to 16 (such as the Food Safety Commission) in 2012. Among various organs and institutions within the Cabinet Office, the Council on Economic and Fiscal Policy (CEFP) is the most powerful. It can set agendas and define the alternatives at issue. The Prime Minister’s policy-making supremacy flows mainly from this council. Thus, the CEFP has become a symbol of the Prime Minister’s powers of leadership and coordination (Indicator 2).

The 2001 reforms have given birth to a new type of institution called “councils for important policies.” With one exception, they are chaired by the Prime Minister, and exist only in the Cabinet Office. Their members are cabinet ministers and content experts from the private sector. They are substantial decision-making entities that develop policy principles and future plans. There are currently five such councils for matters including economic fiscal policy, science, technology and innovation, national strategic special zones, disaster management, and gender equality.

These councils’ discussions and reports are treated as baselines for further policy formulations, and many of their recommendations and much of their advice appears in Cabinet decisions unchanged. There is no mystery about their “binding powers,” because the Prime Minister leads the council’s discussions and all concerned ministers participate. In particular, Prime Minister’s short keynote speech that precedes the dialogue a teach meeting and his concluding remarks influence the direction the arguments take. Thus, the Prime Minister has acquired another powerful policy-making tool. The

\textsuperscript{10}In contrast, the Cabinet Secretariat deals with strategic themes on short deadlines, unlike the Cabinet Office, which explains the Secretariat’s tendency to rely on external temporary staff.
most privileged and dominant of these councils is, undoubtedly, the CEFP. Its members include five Ministers (Finance, Economic Policy, Industry, Internal Affairs, and Chief Cabinet Secretary), and it represents a mini-ministerial committee on economic issues.

The Governor of the Bank of Japan who is responsible for the country’s monetary policies and two well-regarded economists participate in these policy discussions. Two representatives of the business world represent the private sector. This council has more status than the other councils, including the ministries that are supposed to enact its decisions. Tamaru (2005) explained this arrangement as follows:

The ministries don’t accept the policy-line of the CEFP because this Council has a superior position. They rather react in a half-hearted way to the CEFP considering that since the Council’s policies are based on the instructions of the Prime Minister or his entourage, there is no way to resist them.

The CEFP’s main functions are to carry out surveys and initiate discussions on important economic and fiscal policies in response to inquiries from the Prime Minister. It also formulates the Basic Budget Principles, evaluates the consistency of various economic policies, and ensures their coordination.

The CEFP’s best-known document is “Basic Policies for Economic and Fiscal Management and Reform,” which is revised every summer. This document sets the framework for economic policies, and outlines budgets for the current and subsequent years. It also discusses wide-ranging economic and social programs. In the 2016 version, it dealt with issues such as economic and fiscal reform, social security reform, and social infrastructure—its principal role. It also included other themes such as
recovery from the Kumamoto Earthquake and the Great East Japan Earthquake, marriage-birth-childcare matters, gender equality, Industry 4.0, measures related to the Trans-Pacific Partnership, regional revitalisation, fortification of the infrastructure, regulatory reform, strategic diplomacy, public security, natural resources and energy, and the greenhouse effect.

It seems that many “hot button issues” are packed together in this process, so getting this document adopted is one of the most critical times of the year for Japanese bureaucrats. It is crucial for all government sections, since next year’s budget determines whether their programs will be funded or not, and if they are included in the document, how they are described. Consequently, the ministries now harness the Council’s power to ensure their programs get approved, by taking their issues directly to the Council. Once they get Council approval, their programs will easily win in a contest with other ministries. Thus, the Council has also become a seat of power in which difficult controversies are settled (Tamaru 2005).

Another of the Council’s key roles is the budget. Prior to the 2001 reform, the Ministry of Finance dominated the budget compilation process. Since the Council was created, some important parts of this process have been transferred to the CEFP. Every year, the CEFP decides “the Overall Perspective of the Budget” before the budget process begins. The Ministry of Finances then submits a draft of budget request guidelines, also known as “Budget Ceiling,” to the CEFP for approval. These guidelines set the limits for government expenditures, and the CEFP usually adopts the Basic Principles of Budget Formulation in November.

THE INFLUENCE OF THE CABINET BUREAU OF PERSONNEL AFFAIRS

Included in the Civil Service Reform (and not the 2001 reforms), was the creation of the Cabinet Bureau of Personnel Affairs in 2014, which further enhanced the Prime Minister’s powers. In Japan, government officials are appointed by the ministers to whom they report. After this Bureau was
created, it had to approve appointments. Although this type of de facto cabinet approval system has long existed, under the Bureau this system was formalised, and the number of officials concerned expanded from about 200 (director-general level) to 600 (deputy director-level).

According to Poguntke and Webb’s (2005) framework, the power of appointment constitutes a Prime Minister’s formal resource, and they cite the British experience under the Blair government as an example. In that example, there were several instances in which some officials (especially in the Foreign Office) were not promoted thorough traditional and approved channels, but seemed to attain top positions by obtaining Blair’s attention (Poguntke and Webb 2005).

There are many similar examples in Japan, including the post of the permanent secretary of the Ministry of Finance (MOF), which is regarded as the most prestigious post in the Japanese civil service. Traditionally, each post for a permanent secretary of ministries was occupied by only one top elite official selected from among those who had entered the ministry in the same year (“Douki” in Japanese). In this case, three officials who had entered the MOF in the same year (1977) were consecutively appointed to this post. No official explanation for this irregular practice was given, but it was widely known that one of these officials had once served as private secretary to Prime Minister Abe. After witnessing several such appointments, executive officials in the ministries lost the courage needed to resist his leadership and assert their own ministerial interests.

**CONSEQUENCES OF THE STRENGTHENED POWER OF THE PRIME MINISTER**

Simply enumerating the practices that have advanced presidentialisation will not adequately quantify the results of presidentialisation, and the “inputs”
documented in the previous section must be transformed into “outputs” in the terminology of policy evaluations. This section will attempt to provide an output-based evaluation using two types of variables, namely the number of pieces of legislation proposed by the Prime Minister, and the number of tasks assigned to him.

Augmenting the number of bills passed appears to be the most suitable approach for assessing the real impacts for two reasons:

1. It will allow us to empirically observe before and after effects;
2. Almost all important policies are executed on the basis of legal texts in Japan, so the importance and hegemony of governmental bodies tends to be measured by the quantity and content of their legislation¹¹.

Table 2 illustrates a sharp contrast in regard to the amount of legislation within the Cabinet Secretariat’s jurisdiction before and after 2001¹². Before 2001, the Secretariat had only three highly scattered laws for its services, namely, the Cabinet Act (1947), the Act for Establishment of the National Security Council (1986), and the Basic Act on the Formation of an Advanced IT Network Society (2000). After the 2001 reform, that number rose to 32 (2.13 per year).

Figure 1 also clearly illustrates this 2001 “singularity point”. These laws can be classified according to the expanded functions of the Secretariat. The first group is related to the national security domain: the Act for Supporting the Victims of Abduction Committed by the North Korean Authorities (2002), the Act Concerning the Measures for Protection of the People in Armed Attack Situations (2004), and the Act on the Protection of Specially Designated

¹¹ Over 80% of the bills adopted in Japan have been proposed by the government, that is to say the ministries.
¹² Legally, the leader of this body is the Chief Cabinet Secretary (Minister of State). In practice, its real leader is the Chief of the Cabinet, namely the Prime Minister.
The second group concerns IT development: the Act on Utilization of Telecommunication Technologies in Document Preservation (2004), and the Basic Act on Cyber security (2014). The third group deals with administrative and institutional reform: the Postal Service Privatization Act (2005), and the Social Security System Reform Act (2012). The fourth group is for important policies, namely The Act on Promotion of Women’s Participation and Advancement in the Workplace (2015).

In 2001, a number of organs—including the Prime Minister’s Office, the Economy Planning Agency, the Okinawa Development Agency, the Science and Technology Agency, and the National Land Agency—were merged to create the Cabinet Office. The number of bills previously proposed by these agencies must be compared to those proposed by the newly created Cabinet Office. Forty-four laws were drafted by these former agencies prior to 2000, and 41 laws were enacted within the Office’s jurisdiction after 2001 (Table 2 and Figure 1). On average, 0.8 laws a year were approved in the Diet before 2000, and 2.73 laws a year after 2001. Although the contrast shown in Figure 1 is not as extreme as in the Secretariat’s case, the upward trend is nonetheless impressive. This corresponds with the growing importance given this body as “the centre of knowledge and wisdom,” and policy-makers benefitting from close relations with the Cabinet Secretariat.

Concerning policy domains, Table 3 shows an equally interesting contrast before and after the 2001 reform. Disaster prevention issues have always required the most laws; this field had 12 laws before 2000 and 7 laws after 2001. After the Great Hanshin-Awaji Earthquake (1995) and the Great East Japan Earthquake (2011), certain special laws about reconstruction and

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13 The Prime Minister is legally designated the chief executive of this body.

14 Some of the increase in numbers in the 1990s was related to the enactment of laws for disaster recovery after the Great Earthquake of Hanshin-Awaji (1995).
victim support were added to the group of basic laws. As for the other domains, there are rather steep upward and downward trends. Among them, three domains have experienced considerable augmentation: Child Affairs (+5), Science & Technology (+4), and Economic and Social Affairs (+4). Although the number of pieces of legislation proposed does not necessarily reflect the government’s degree of concern, these three fields seem to properly represent the most imminent challenges faced by Japanese society. No policy is currently more important than support measures for child rearing in Japan, where its slow birth rate is threatening the country’s sustainability. There is also broad consensus about the need for fundamental economic restructuring, to exit the long-lasting depression. Finally, no one can deny that Japanese society’s prosperity depends on scientific development and technological innovations. Thus, it is not merely a coincidence that the Cabinet Office, which reports to the Prime Minister, is dealing with these key areas.

The second variable is derived from a time-series comparison of the number of functions legally attributed to the Prime Minister. That signifies how many tasks are concentrated around the Prime Minister; and here a Cabinet Office example will be examined.

Cabinet Office functions have been increasing continuously (Igarashi 2006). In 2001, the original Establishment of the Cabinet Office Act listed 60 permanent functions. Thirteen years later, this number was 90. Important files including “Private Finance Initiative,” “Revitalization of the Regions,” “Official Document Management,” “My Number (National ID),” “Aid for Crime Victims,” and “Suicide Prevention” were added to their responsibilities during this period (Igarashi 2006). Including temporary functions in the additional clauses, that number would reach 104.

As has been numerically verified, the Prime Minister’s supremacy has become obvious in Japan’s political-administrative scene, revealing three
major tendencies. Firstly, the officials are more obedient to the Prime Minister’s or his entourage’s instructions than their ministers. Secondly, the centre of policy-making has shifted from the ministries to the Prime Minister. Important bills and tasks that might have been completed by each ministry before 2000 are now the responsibility of the Cabinet Secretariat or the Cabinet Office, and each ministry seems to assume the operational role of minor policy-planning for major political cabinet issues. Thirdly, Japanese Prime Ministers with more power resources and autonomy are now able to achieve their desired political aims much more easily than their predecessors. Consequently, previously unimaginable political issues have been realized by the Prime Ministers, as in the Right of Collective Self-Defence legislation (Mr. Abe), and the privatization of Japan Post (Mr. Koizumi).

**THE KOIZUMI ADMINISTRATION**

Poguntke and Webb (2005) argued that presidentialisation of the core executive does not necessarily occur by the augmentation of their powers, and the decline of party influences may be far more crucial. Former Prime Minister Koizumi’s (2001–2006) administration seems to exemplify this argument, considering his struggles with LDP members to achieve his political goals. Mr. Koizumi was one of Japan’s most pro-reform leaders. Apart from privatising Japan Post, he successfully undertook many other controversial reforms that included limiting the issuance of National Bonds, reforming public corporations, privatising the Public Highway Corporation, reducing the Regional Delivery Tax, and cutting public infrastructure spending.

Mr. Koizumi served as Prime Minister for five years, which was exceptionally long by Japanese standards. How could he succeed while managing various and politically difficult reforms that his predecessors had
not even imagined? Using our three indicators from section 1, Koizumi’s reforms might be classified as follows:

**Indicator 1 (the growth of resources):** Mr. Koizumi took full advantage of the 2001 reforms, and relied on the newly introduced power to make proposals at Cabinet meetings to speed up the decision-making process. This top-down decision-making style smothered resistance from the ministries.

**Indicator 2 (centralized control and coordination):** The CEFP allowed him to skip tedious administrative coordination procedures. Having no strong foothold in the ruling LDP party, Mr. Koizumi alleviated the antipathy of Diet members with special interests. Once the key policies had been decided in the CEFP, they became a sort of “accomplished fact,” and considerably weakened any possible political resistance (Takenaka 2006).

**Indicator 3 (appointment of non-party person):** The minister responsible for the CEFP at that time was Mr. Takenaka, a former university professor\(^{15}\). As he was not a politician, and the post is independent from any ministry, he was free to design a reform plan and control the policy making process. This served as another measure for avoiding party influences.

Mr. Koizumi also used media to enhance his personality-centred tendencies. Lacking the backing off actions in the ruling LDP party, he addressed the voters directly to obtain their support. He also skilfully harnessed the media during elections, and became a “star,” thanks to his

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\(^{15}\) Minister of State for Economic and Fiscal Policies
good looks and style, was very popular at the polls, and ultimately gained a firm foothold in the party.

Decreasing ideological conflicts in modern society have blurred political parties’ standpoints and programs. Hence, presidentialised leaders govern past their parties and the social forces that support them (Poguntke and Webb 2005). Mr. Koizumi not only by-passed the party machine, but struggled with his own party on the privatization of Japan Post, because this reform would damage the traditional party’s base and weaken many politicians supported by this group.

Peters (2008) has stated that individual characteristics shape behaviour, and the successes and failures of presidents and prime ministers. As for British Prime Ministers, Kaarbo (1997) concluded that their leadership style had a significant influence on their political decision-making. Mr. Koizumi was an intransigent man of conviction, with foresight, vision, and eager for political-administrative reforms. That made him a truly unique politician in Japan’s political history, and the success of his reforms has quite often been attributed to these characteristics. With regard to Koizumi’s personality factor, Tsunekawa (2008) observed that although the structure they worked under was the same as Koizumi’s, his two less-charismatic successors—Mr. Fukuda and Mr. Aso—were not able to survive more than one year.

The political reforms of 1994 also strengthened the powers of party leaders. One example is the introduction of the single-seat constituency system. Prior to that reform, each constituency had had plural seats, and LDP faction leaders could nominate their own “protégés” as candidates in each district. The reform concentrated the nomination of one-candidate-for-each-constituency function toward the party leader. The enactment of the Political Party Subsidies Act, to prevent corruption by forbidding unofficial party funding, was another reform that further weakened the clan chiefs’ who had
controlled money flows into the party and intervened in party leaders’ decision-making processes.

**CONCLUSION**

As illustrated, Poguntke and Webb’s (2005) presidentialisation model is generally applicable to Japan’s politico-administrative situation since 2001. The 2001 reforms that strengthened the Prime Minister’s powers mirror the first aspect of presidentialisation (government leadership). The drastic augmentation of staff and bodies reporting to the Prime Minister and the power shift from the MOF to the Prime Minister are noticeable, compared to other countries’ experiences.

The second aspect (party leadership) is also evident in the supremacy of the CEFP and the political reforms of 1994. Mr. Koizumi’s personalized style of electoral campaign might serve as an example of the third aspect (party leader centred campaign). Future research is needed to confirm this supposition.

This paper found that the presidentialisation movement has been observed in Japan since the 2001 reforms, and that Poguntke and Webb’s (2005) framework has largely been consistent with Japan’s context and reform efforts. The paper’s second question relates to whether the presidentialisation framework is relevant to Japan. Though there are similarities, there are also some differences, especially with regard to the causes of presidentialisation. Of the four causes for presidentialisation cited, three (state growth, changes of mass communication, and diminishing social divisions) were quite suitable for explaining the backdrop of Japanese experiences. However, Japan’s presidentialisation was less influenced by the internationalisation of politics relative to European countries. This may reflect its relatively slow-paced globalization and the lack of direct impacts from the European Union’s policies. Indeed, after 2001, the political issues directly
addressed by the Prime Minister related to economic and fiscal problems, such as the case of Mr. Abe’s so called “Abenomics” policy\textsuperscript{16}.

The third question posed was whether Japan’s experience revealed factors that were not anticipated by the presidentialisation framework. Rather than formal-institutional factors, Poguntke and Webb (2005) emphasised the importance of contingent and structural factors as the driving force that pushes modern democracies toward a more presidential working mode. In many countries, these processes have occurred without significant institutional or organizational reforms (Tsunekawa 2008). Japan’s case is quite different, and one of the objectives of the 2001 reform effort was to institutionalize the strong Prime Ministerial system. So, Japan’s case could be thought of as a deliberate presidentialisation, rather than a natural consequence as occurred in many other countries. Japan’s presidentialisation is an “artificial product” that required numerous legislative changes and organizational restructurings. It seems to reflect Japan’s peculiar politico-administrative situation as a remnant of pre-war Japan’s weak cabinet political regime, as seen in the provisions of the Cabinet Act that dominated all government functions. So, Japan’s experiences could also be understood as a process leading toward “normalising” the Prime Minister’s power, rather than “fortifying” his position, as has occurred in other countries.

Contingent factors (such as a leader’s personality) were crucial for the success of Mr. Koizumi’s presidentialised style reforms. However, without the 2001 reforms, Koizumi would not have been able to achieve his goals.

\textsuperscript{16}The Prime Ministers also led some diplomatic and security issues such as the North Korea related abduction case (Koizumi), and legislation dealing with the right of collective self–defence (Abe). These issues were closely influenced by Japan’s geopolitical situation (its perilous relationship with neighbouring countries), and did not truly result from the internationalization of politics.
Regarding the importance of structural factors, Mr. Abe’s case is a good example. Unlike Mr. Koizumi, incumbent Prime Minister Abe does not have Mr. Koizumi’s strong personal qualities. Nonetheless, his tenure as Prime Minister has already exceeded Prime Minister Koizumi’s\textsuperscript{17}.

The fact that the less colourful and more traditional Mr. Abe is able to stay at his post longer than Mr. Koizumi suggests that long-term structural causes are more important for bringing about real changes in politics than contingent causes (Poguntke and Webb 2005). Indeed, Mr. Abe has fully harnessed the 2001 reforms to reach his political goals, and made a number of important decisions such as postponing the VAT (consumption tax) raise and epoch-making legislation on national security on his own initiative.

These measures have given Prime Minister Abe the image of a strong man of action, which is thought to be a reason for his high popularity and quasi-unanimous support within the ruling LDP party.\textsuperscript{18} In March 2017, the maximum term of the LDP President (the Prime Minister) was extended from six to nine years, which is longer than the maximal tenure of the US President. Hence, by 2020, Japan will have had a prime minister with the longest tenure since WWII, Mr. Abe, assuming he is still Prime Minister, and the fourth longest tenure, Mr. Koizumi. This would truly mean that the 2001 reforms have enabled a new type of Japanese Prime Minister with a “personalized mandate,” and cleared the path to a Japanese version of presidentialisation.

\textsuperscript{17} As of May 2017, Prime Minister Abe’s tenure exceeded Mr. Koizumi’s (1980 days) and by 2020 is expected to exceed that of his post-WWII predecessors.

\textsuperscript{18} The Jiji-Press poll reported the reasons for this popularity as follows: 1) there is no other candidate (21.3%), 2. he provides leadership (15.6%) (Feb. 10–13, 2017). However, his popularity began to decline following after a scandal reported in the media in the spring of 2017.
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Table 1. Numbers of Staff Members in the Cabinet Secretariat and the Cabinet Office

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<th>2000</th>
<th>2016</th>
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<td>Cabinet Secretariat</td>
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</tr>
<tr>
<td></td>
<td>Temporary</td>
<td>445</td>
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<tr>
<td>Cabinet Office</td>
<td>Fixed</td>
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</tr>
<tr>
<td></td>
<td>Temporary</td>
<td>202</td>
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Source: Official websites of the Cabinet Secretariat and the Cabinet Office, as of March 11, 2017.

http://www.cas.go.jp/jp/hourei/ (Cabinet Secretariat) and http://www8.cao.go.jp/hourei/hou.html (Cabinet Office)

Notes:
1. The author prepared this table.
2. Figures represent full-time base staff numbers.
Table 2. Laws of the Cabinet Secretariat and the Cabinet Office (before/after 2001)

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<td>Annual Average</td>
<td>Total</td>
<td>Annual Average</td>
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<tr>
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<td>0.83</td>
<td>41</td>
<td>2.73</td>
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Note: 1. The author prepared this table.

Figure 1. Laws of the Cabinet Secretariat and the Cabinet Office (enactment years)

Source: Official Websites of the Cabinet Secretariat and the Cabinet Office, as of March 11, 2017.

http://www.cas.go.jp/jp/hourei/ (Cabinet Secretariat) and
http://www8.cao.go.jp/hourei/hou.html (Cabinet Office)

Notes:
1. The author prepared this figure.
2. Figures represent the number of laws within the current jurisdiction of each body.
3. Figures include some laws drafted by Diet members.
4. Laws of the Cabinet Office of Personnel Management are excluded from the Cabinet Secretariat.
5. Prior to 2000, laws were drafted for the Cabinet Office by the then Prime Minister's Office, Economic Planning Agency, Okinawa Development Agency, Science and Technology Agency and National Land Agency. Their functions are now incorporated into the Cabinet Office.

### Table 3. Legislation Drafted by the Cabinet Office

<table>
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<th>1947-2000 (A)</th>
<th>2001-2016 (B)</th>
<th>Difference (B-A)</th>
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<td>7</td>
<td>-5</td>
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<tr>
<td>Okinawa &amp; Northern Territories</td>
<td>6</td>
<td>2</td>
<td>-4</td>
</tr>
<tr>
<td>Youth/Woman/Elderly/Disabled</td>
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<td>3</td>
<td>-1</td>
</tr>
<tr>
<td>Children</td>
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<td>5</td>
<td>+5</td>
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<tr>
<td>Nuclear Affairs</td>
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<td>0</td>
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<td>National Land Development</td>
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<td>-2</td>
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<td>Decentralization &amp; Regional Revitalization</td>
<td>2</td>
<td>5</td>
<td>+3</td>
</tr>
<tr>
<td>Science &amp; Technology</td>
<td>0</td>
<td>4</td>
<td>+4</td>
</tr>
<tr>
<td>Economy &amp; Social Affairs</td>
<td>2</td>
<td>6</td>
<td>+4</td>
</tr>
<tr>
<td>Consumer Affairs</td>
<td>0</td>
<td>2</td>
<td>+2</td>
</tr>
<tr>
<td>Others</td>
<td>12</td>
<td>7</td>
<td>-5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44</strong></td>
<td><strong>41</strong></td>
<td><strong>-3</strong></td>
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</table>

Sources: Official websites of the Cabinet Secretariat and the Cabinet Office, as of March 11, 2017.
Notes:

1. The author prepared this table.
2. The figures represent the number of pieces of legislation in each domain.
3. The author classified the domains and sorted the numbers.

ABOUT THE AUTHOR

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Towards an Analytical Framework to Benchmark the Performance of Urban Drinking Water Supply: Preliminary Findings from Ambo, Ethiopia

Bacha Kebede Debela¹⁹

Dr. Steve Troupin²⁰

This paper aims at identifying strategies to improve the performance of Ethiopian local governments in supplying drinking water. Therefore, a case study of Ambo (Ethiopia) is performed, on basis of document analysis, interview and focus group discussion. This allows operationalizing Pollitt and Bouckaert’s (2011) production process model, by defining input, activity, output and outcome indicators relevant for drinking water supply in the context of developing countries. The indicators and their interrelations subsequently allow coining efficiency-improvement and effectiveness-improvement strategies.

The paper finds that most performance improvement strategies do not involve a trade-off between efficiency and effectiveness: investing in the maintenance of the water distribution network, involving the community in the production process, ensuring a minimum quality threshold, improving procurement policies, and relying on ground

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²⁰Dr. Steve Troupin is Lecturer at KU Leuven Public Governance Institute and Strategic Projects Officer at International Institute of Administrative Sciences (IIAS); steve.troupin@kuleuven.be
water contribute to both and deserve being implemented. On other aspects, related to commercial policies and the quality of water, local policymakers need to make a choice between pursing efficiency and effectiveness.

The paper contributes to the ongoing discussion on the added-value of governance for the 2030 Agenda, and paves the way for benchmarking Ethiopian local governments, and warrants further research onto the added value of participation for development.

Keywords: Performance, Efficiency, Effectiveness, Participatory governance, Drinking Water supply, Ambo, Ethiopia

INTRODUCTION

Access to drinking water remains a precondition for the well-being of populations and economic development. This is why UN set a Sustainable Development Goals’ (SDG) target to ensure by 2030 a universal access to safe drinking water (UN, 2015). The second Ethiopian Growth and Transformation Plan (GTP) aims at 75% urban drinking water coverage (National Planning Commission 2016: 96).

In Ethiopia, urban local governments are responsible for drinking water supply (Oromia National Regional Government, 2003). Existing studies about their performance in supplying drinking water provide two insights. They indicate, first, that improvements are needed: the country performs poorly, even by African standards (Banerjee et al., 2008), and has the highest absolute number of people without access to improved water— a problem which is even more significant at local government level (Yacob et al., 2010). Second, the different figures provided (only 58.25% access according to
MOFED and UN Country Team Ethiopia (2012); 91,5 % coverage within 0,5 km in urban areas according to MOFED (2010), 73,3 % coverage within a 1,5 km radius in urban areas in 2012 according to the World Bank (2013) and 91% urban access in 2014/15 according to National Planning Commission (2016: 39)) shows disagreement on the appropriate indicators to evaluate local government performance in drinking water supply.

Accordingly, this paper aims at answering this research question: “how can Ethiopian local government improve their performance in supplying drinking water?” In order to answer this question, the study builds on Pollitt and Bouckaert’s (2011) production process model. The model conceives an organization, program or department as the deployment of inputs into activities, leading to outputs and outcomes. It allows distinguishing efficiency-improvement and effectiveness-improvement strategies, which are considered to involve a trade-off.

In order to map the production process of drinking water supply, define operational input, activity, output and outcome indicators, understand the interactions among these indicators, and identify strategies to improve the efficiency and effectiveness in supplying drinking water, the paper relies on evidence collected in Ambo town, Ethiopia, through document analysis, interviews with the local water company managers, and a focus group with citizens’ representatives.
The paper is organized into four parts. The next section discusses the analytical framework: the production process model. The third section presents the research method used in this paper. The fourth section presents the production process and identifies relevant performance measures and indicators for urban drinking water supply service. The last section discusses the result of the study and formulates policy recommendations.

**ANALYTICAL FRAMEWORK**

Many studies of performance management and public sector reform program use the production process model developed by Pollitt and Bouckaert (2011). Figure 1 presents the main elements of the production process model and two generic criterion of performance assessment derived from it.

![Diagram of the Production Process Model](image)

Figure 1 – The Production Process Model (Pollitt and Bouckaert, 2011)
Inputs refer to resources (human and non-human) that are deployed by organizations to produce output (Pollitt and Dan, 2013) through activities. Activities are of an operational and management nature and include organizational structure and arrangements, allocation of authority and working procedures. Outputs refer to what an organization or a program delivers or produce, and are usually quantifiable. Outcomes are measurements of value and denote what happens in the real world as the result of organizational or program output (Dan, 2014). Outcomes are often triggered by many causes and cannot be simply attributed to a single organization or program action (OECD, 2009).

Performance is usually conceived in terms of certain relationships between these inputs, outputs, and outcomes (Pollitt and Dan, 2013). Efficiency refers to the ratio of inputs to outputs (Van Dooren et al., 2010). Accordingly, an organization/policy is performing well if it maximizes the outputs produced with a given set of inputs (output oriented) or if it minimizes inputs used to produce a given set of outputs (input oriented) (Jacobs et al., 2006; Van Dooren et al., 2010). Effectiveness usually refers to the extent to which the original goals or objectives set for the organization or program have been realized through the outputs provided (Dan, 2014; Pollitt and Bouckaert, 2011; Woodybury and Dollery, 2004; Ammons, 1996).

The dynamic interaction among elements of production process model indicates that performance management is an ongoing and cyclical process. In general, the analytical framework is useful to assess, compare and benchmark performance in the public sector (Van Dooren et al., 2010; Pollitt and Bouckaert, 2011; OECD, 2009). Consequently, the production model is used to identify the relevant input, activity, output, and outcome indicators for drinking water supply, and operationalize efficiency and effectiveness to
allow benchmarking the performance of urban local government in drinking water supply in further studies.

**RESEARCH METHOD**

This paper aims at operationalizing Pollitt and Bouckaert’s production process model for drinking water supply or, in other words, at identifying the inputs, activities, outputs and outcome indicators for the drinking water supply process, and coining what an efficient and effective drinking water supply concretely means.

There is abundant international literature detailing the water supply process and devising criterions to evaluate its performance. The United Nations, notably, has adopted a SDG regarding clean water and sanitation (UN, 2015), and has coined a human right to water (UN, 2010). The World Health Organization has set guidelines for technical standards of water quality (World Health Organization, 2004) and developed a risk management tool allowing water companies complying herewith (WHO, 2009). The International Water Association has further developed this management approach to drinking water supply (IWA, 2013).

A review and synthesis of international standards would thus have sufficed to answer the research question. However, there was a risk that the performance indicators synthesized this way correspond more to the imperatives of the international community than to the wishes of the local population. To avoid such a bias, collecting input from the local population was needed.

This paper thus relies on a single case study of Ambo Urban local government, in Ethiopia, to explore and understand the interaction between elements of production process model. Ambo has been chosen for two reasons. First, Ambo is representative of the other municipalities in the Oromia National Regional Government. It can thus be expected that the
performance indicators relevant for Ambo can apply to the other municipalities of comparable size in the region. Second, the feasibility of the study (time, distance, potential access to relevant data) has been taken into account.


Moreover, interviews were performed with AUWSSSE’s managers, three customers, a hydro-geologist (West Shoa Zone Water, Minerals, and Energy Office) and a Civil Engineer (Ambo University lecturer and researcher). Annex 1 presents the profile of interviewees and the major issues discussed.

Finally, a focus group discussion was organized with representatives of citizens and customers of AUWSSSE to get a better insight into their expectations in terms of water supply. The participants represented NGOs, public sector and university; each having different roles in the community (resident, leader in a church and private health center operator). Annex 2 presents the profile of focus group discussant and the major issues discussed.

Data from the interviews and focus group were complemented by national water policy and economic planning documents and academic literature to synthesize a production model for water supply, and clarify what an improvement of the efficiency or effectiveness of water supply concretely implies.

Ambo Town is located in the Oromia National Regional State (Ethiopia) about 110 km to the West of Addis Ababa. Ambo Town is the capital of West Shoa Administrative Zone of the Oromia National Regional State. The town
received a master plan in 1931, due to its strategic position of serving as an administrative, commercial, and transportation centre of Western Shoa. The water supply for the town began in 1952 during the Haile Selasse regime (Shanmughamaand Tekle, 2011).

The AUWSSSE was established by the Oromia National Regional Government Proclamation No.78/2004. Table 1 presents the main output figures of AUWSSSE.

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban Population (Estimate)</th>
<th>Volume of water produced (m³)</th>
<th>Customers</th>
<th>Revenue ($)</th>
<th>Operating expenditure ($)</th>
<th>Source</th>
<th>Urban water</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>791541</td>
<td>5565</td>
<td>164</td>
<td>174</td>
<td>151271</td>
<td>164981</td>
<td>Surface water and Ground water</td>
</tr>
<tr>
<td>2012</td>
<td>975396</td>
<td>6233</td>
<td>172</td>
<td>171</td>
<td>227943</td>
<td>176845</td>
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</tr>
<tr>
<td>2013</td>
<td>68000</td>
<td>1030355</td>
<td>7106</td>
<td>168</td>
<td>335839</td>
<td>208478</td>
<td>Ground water</td>
</tr>
</tbody>
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Table 1 – Socio-Economic context of AUWSSSE (AUWSSSE, 2013)

The estimated total population of the town is 68,000. In 2013 the AUWSSSE produced 1,030,355 m³ of water and served 7,106 households, 174 public institutions, and 168 private business enterprises, and had a 115km water distribution network. The enterprise generated about $335,000 revenue with the total expense of $210,000 in 2013. The enterprise uses progressive water tariffs for private connection (the higher the consumption, the higher the price for water service), and flat rate for public stand users. Surface (Hulka River) and underground water (4 in number) were the sources of urban drinking water supply (AUWSSSE, 2013).
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THE PRODUCTION PROCESS FOR URBAN DRINKING WATER SUPPLY

This section presents the production process for water supply and identifies relevant performance indicators based on the Ambo AUWSSSE case study.

INPUTS OF URBAN DRINKING WATER SUPPLY

Supplying drinking water requires raw water, human and non-human resources, distinguished as inputs.

The AUWSSSE uses both surface water and ground water to supply drinking water. The case study suggests that ground water is preferable because it requires less treatment and is less subject to variations in terms of quality and quantity (Wutich and Ragsdale, 2008). However, ground water
requires more energy to extract and may require treatment such as aeration and softening.

From eight budget lines, AUWSSSE allocates the highest proportion of its budget to general administrative overhead cost, followed by direct material cost, suggesting these are essential components in drinking water supply.

Interviewees told that the human and non-human resources required depend on many factors such as the source and quality of raw water (low quality requires high-level professionals to treat the water), the population served, the design and construction quality of water utilities and the technology used. Aged and deteriorated infrastructure requires continuous maintenance, and hence need the inflow of inputs for maintenance services (see Zhou et al., 2009; Mersha, 2007).

**MAJOR ACTIVITIES IN URBAN DRINKING WATER SUPPLY**

Urban drinking water supply involves two types of activities: operational activities and management activities. The operational activities include catchment management, water treatment, and distribution.

Catchment management is concerned with ensuring the availability and quality of raw water. It involves protecting the biophysical environment (water, soil, and plant/vegetation) in the upstream areas, and enhancing socio-economic benefits of the community in the area. Proper catchment management helps to protect and develop water resources
(streams/springs) and thus enables to sustain water supply. It increases recharge of ground water; reduces the cost of extraction because the water table is closer to the surface. Overall, proper catchment management requires active stakeholder participation.

The intensity of treatment depends on the quality of raw water. According to AUWSSSE’s technical staff, surface water first needs to be carried through collection chamber to treatment plants. There, it undergoes two major types of treatments, chemical and mechanical ones. Chemical treatment involves the addition of substances to coagulate suspended materials and fasten the sedimentation process. Mechanical treatment involves the use of sand stones and different filters to screen out fine items, bacteria, and viruses. Filtered water is discharged to the reservoir where disinfection takes places through chlorination. Finally, the chemist (water quality check expert) checks the chemical, biological and physical (colour, odour, temperature) properties and PH of water before it is distributed. Ground water may require aeration, although treatment levels are generally low. Other checks are also performed further down the distribution chain to monitor potential contaminations due to leakages and disconnections.

Treated water is distributed to customers through the distribution network. In general, water distribution is a crucial activity in water supply. It requires avoiding risks of contamination, leakages management and inequitable distribution.
Management activities include investment and maintenance decisions; commercial policies; stakeholders’ participation; coordination, quality management, monitoring and control.

Investment decisions concern water utility (design, construction of treatment plants and reservoir, drilling boreholes and extracting water, building public stand pipe, etc.), the water distribution system (including water line connection, expansion, replacement, and maintenance work) and other civil works. These investment decisions are crucial because they impact water losses due to leakages, and the need for maintenance works (Mersha, 2007).

Regarding commercial policies, the most crucial items are water tariff, water meter reading and billing and cost of private water connection. Tariffs and private connection costs, when decoupled from purchasing power, threaten access and lead the poor and the disadvantaged people to use other alternative water sources, including unprotected and unhealthy ones.

Customers also expect a frequent and accurate water meter reading. Frequency allows the customer to pay for what they have consumed in a month, what is particularly important with a progressive tariff policy. Accuracy refers to the trust customers should have that the meter records volumes of water and not of wind in case of interruption of service. Improper meter
reading generally results in overcharging customers who can be fined or disconnected if they refuse to pay their bills.

To get a private connection, the customers should pay permission and estimation fees, a technical service charge (usually 40%), and cover the costs of connection materials (see also Fita, 2011). Thus, although the price of water through private connection is lower, the initial cost of private connection may be unaffordable to the poor and even to those people who are living far away from the distribution line.

According to interviewees and focus group discussants, stakeholders’ participation is crucial in the water supply. Active participation and cooperation of all actors (including local community living in the catchment area) are essential among others to protect the catchment and enhance resource mobilization.

**Outputs of Urban Drinking Water Supply**

Interviews and review of official documents of AUWSSSE allow identifying five relevant outputs of the drinking water enterprise: (1) volume of water produced and consumed, (2) water and water service revenue, (3) number of clients served, (4) water utilities constructed and maintained, and (5) outputs related to human resource management.

The amount of water produced by water supply enterprise and consumed by citizens is the main output of the enterprise. The difference between produced and sold water corresponds to water loss, which is due
to illegal connections, non-billed water consumption, and leakages in the distribution network. It is thus important to go beyond the leakages’ hypothesis for water loss and consider illegal connection and non-billed water as well. It also matters not equating sold water with consumed water, because a water meter can read by the wind instead of water pressure.

In general, the amount of water revenue depends on the volume of water sold, according to the water meter reading. Consumption increases with the quality of water and the wealth of the consumers. It decreases when alternative water sources (e.g. springs) are available. Climate (season, and altitude) and culture also play a role. This indicates that increasing supply of water may not lead to increased water consumption and revenues.

The amount of revenue collected from water-related services (such as water meter rent, permission and estimation fee, and technical service charge) depends on the number of customers and the size of the water meter (the bigger the size, the higher the rent), the number of new connections and the cost of connection materials purchased.

The number of clients served by the enterprise through direct/private connections by customer category (household, businesses, and non-businesses) and public stand pipe is also an output indicator of water enterprise. Informants told that poor people and students usually use public stand pipe. Furthermore, if the public stand pipe is not nearby, citizens may prefer to buy water from resellers in the neighbourhood at a higher
price, which in turn forces them to consume less water. This entails that the water supply enterprise should support and encourage private connections, and build public stand pipe at optimal distance to meet its objectives.

The number of constructed and maintained water utilities is another output indicator of water supply enterprise. The number of water utilities constructed and maintained (reservoir, treatment plants, boreholes, public stand pipe), the length of water distribution network and the length of water lines renewed/replaced and maintained can be measured. They depend on many factors such as the financial capacity of the enterprise to expand the distribution network, the settlement pattern of residents (the more scattered the settlement, the higher the length), the urban topography (a plain slope requires less length), the master plan of the town and the position of water utilities (collection chamber, treatment plants and reservoir). Maintenance, renewal/replacement activities are influenced by the quality of constructions, the availability of financial and other inputs (Mersha, 2007). Poor design and construction quality of water utilities lead to frequent maintenance and renewal/replacement, which in turn increase repair and maintenance cost. Furthermore, the availability of qualitative human resources also matter: sometimes people with special skills may be needed for repair and maintenance activities. The local community may contribute in cash or in kind to construct and maintain water utilities.
Outputs of the water enterprise related to people (human resource management functions) are the number of job position filled, the number of staff trained, the quality of internal relationships, and the level of employees’ job satisfaction.

**OUTCOMES OF URBAN DRINKING WATER SUPPLY**

Interviewees and focus group discussants emphasized accessibility, quality, equity, reliability, health (water-borne diseases) and socio-economics as most important outcomes indicators to evaluate the performance of drinking water supply.

Access to improved water can be measured in terms of quantity, affordability, and timeliness. Interviewees and focus group discussants stressed that quantity of water is the most important indicator of water service. When the supply is inadequate, citizens/customers prioritize water consumption (for drinking and cooking first, and sanitation may be totally ignored) or use alternative water source (protected or unprotected, buying from vendors). Regarding affordability, interviewees and focus group discussants reported that people who have no private connection use public stand pipe or buy from private resellers, and usually pay a higher price for water than those who have a direct individual connection (Water Utility Partnership Africa, 2003). In terms of timeliness, citizens ideally expect to get water whenever they need without walking more than necessary, and always prefer private connection. The higher the distance, the less accessible the
water service is. In general, access (quantity, affordability, and timeliness) is more critical for the poor, children and women and people with special needs. In case of poor access, this target group will pay the highest price (WHO, 2004).

The supplied water should fulfill required quality dimensions (chemical, biological and physical aspect) and should be acceptable to users. For focus group discussants, good water is tasteless, colorless, odorless and cool. They paid much importance to these features.

Ideally, water should be distributed equitably regardless of the socioeconomic status of users and geographic location. In practice, ensuring equitable supply is difficult. Rich people could be better served than poor people because of the initial connection cost which is difficult for the poor to afford. People living in the center of the city could get a better access than people living in hilly areas, in the periphery, and/or in slum areas. The distribution of water could also be affected by the size of the water meter (the bigger the water meter, the better the access). Equitable distribution is an issue, particularly, when there is the shortage of water supply.

Citizens expect uninterrupted, reliable supply of water. Frequent interruption of water service negatively affects daily basic water needs and socio-economic activities. Furthermore, interruptions of water supply often lead to the proliferation of pathogens in the water distribution lines, and contamination of water.
The community uses water for drinking, cooking, sanitation, medication (to treat patients in hospitals and health centres) and business activities (hotels and other private businesses). When accessibility, quality, and acceptability, degree of equitable distribution, reliability of water is insufficient, it thus has consequences for the health and socio-economic conditions of individuals. When these quality criterions are not met, individuals tend to use water from unprotected sources, running a risk for their health.

It also affects private business and other organizations. In the worst case, it may result in the total closure of business activities (hotels, other private business). Lack of water with adequate qualities prevents proper sanitation, hindering social interaction because and resulting in an unwelcoming work environment.

In other words, keeping other things constant, communities that have better safe drinking water service will have better health and can run socio-economic activities more successfully. And the water enterprise that can deliver better service will have positive relationships with stakeholders (internal and external) and can effectively contribute towards health and socio-economic activities of the society.
HOW TO IMPROVE THE PERFORMANCE OF URBAN DRINKING WATER SUPPLY?

This paper aimed at identifying performance indicators for comparing Ethiopian local governments’ performance in drinking water supply and at examining how to improve local government performance. In the previous section, we detailed the production process of water supply, identifying relevant performance indicators and the way they interact.

This research allows identifying a range of strategies for local governments to improve their performance in supplying drinking water to their citizens. We distinguish between strategies aimed at improving the efficiency and the effectiveness.

EFFICIENCY-IMPROVING STRATEGIES

The Ambo case allowed identifying five possible strategies to improve the efficiency.

First, local water enterprises can lead a commercial policy aimed at cost-recovery, for instance by providing financial disincentives for additional private connections, especially for the poor people and at remote places. The case study indeed reveals that the installation of public pipes has a lower cost but negates the equitability dimension. A minimally frequent meter reading, by allowing saving on related personnel costs, also delivers efficiency gains. Relatively high tariffs, especially for the incompressible part of personal
consumption, generate good returns on investments, up to a given threshold where customers shift to alternative sources of water.

Second, procurement policies can deliver significant efficiency gains. Because local water enterprises need to buy significant amounts of materials (chemicals, pipes, meters, infrastructures for storage and treatment) to deliver drinking water, it is of utmost importance that the lowest price is obtained for a given quality of the material. In this regard, two factors deserve attention: the ability of local water enterprises to coordinate their orders, with an eye on increasing their negotiation power vis-à-vis suppliers, and the extent of competition in the suppliers’ market. Examining these factors needs further research.

Third, the quality of delivered water must be sufficient to be sold to customers. The Ambo case indeed revealed that customers have alternatives to the monopolistic supply of water by the local government’s enterprise: they can collect and consume rainwater on their own, can travel to natural springs to fetch water, or consume bottled beverages. They tend to shift to these alternative sources when they doubt of the water quality due to its color, odor, taste, or water-induced sickness in the neighbourhood. A water enterprise wanting to sell its production can improve the intrinsic quality of water and or improve the perceived quality.

Therefore, stakeholder management is crucial. It consists in sharing the production costs with the community by involving them in the production
process. This can happen at least in two ways. On the one hand, many treatment costs flow from polluted water. And pollution mainly results from waste disposal in surface water, or above or near ground water sources. Citizens, businesses, and farmers should be sufficiently informed, incentivized and regulated to avoid such pollution and related costs. Also, because intrinsic and perceived quality of water influence the revenues, customers should be trained to systematically boil the water in case of insufficient quality. Sharing the costs and benefits of water quality management with the community can lead to significant efficiency gains.

Finally, the sources of water used have an impact on efficiency. The Ambo case reveals that the treatment costs are higher for the surface than ground water. Furthermore, ground water has the unique advantage of predictability: its quality and quantity do not depend as much on the last rainfalls and other climatic events as with surface water. Thus, this pleads for a preferential reliance on ground waters, when available.

**EFFECTIVENESS-INCREASING STRATEGIES**

To increase effectiveness in supplying drinking water means, for local governments, to improve the accessibility of water, its quality, the equitability of supply, and the reliability of the service. The Ambo case showed some ways of improving effectiveness.

We observed that some strategies allow improving several measures of effectiveness at the same time.
The reliance on ground instead of surface waters is an example of such strategies. Treatment does not always suffice to bring surface waters to acceptable levels of quality. Moreover, the quality of surface waters is subjected to seasonal variation, and an excessive reliance on it can lead to service interruptions. In such cases, the absence of water in the distribution lines leads to corrosion and proliferation of bacteria, ultimately damaging the quality and acceptability of upcoming flows of water.

A proper maintenance of the distribution network appears essential as well. A poor maintenance generally results in leakages. Leakages can lead to contamination of water, interruption of services, and water with bad odor, color, and taste. Maintenance, by preventing and repairing leakages, contributes to the quality, reliability, and acceptability of water.

Stakeholder management can provide a significant contribution to effectiveness, by helping to protect catchment areas and by training to test and improve water quality and enhancing cooperation for sustained inflow of inputs.

The Ambo case also reveals that the equitability is mainly achieved by a reliable supply of qualitative water. Indeed, poor people pay the highest price for a water of insufficient quality or quantity: in extreme cases, they can’t afford to buy water from other sources, have hence to travel long distances to collect water elsewhere and or face risks for their health when consuming it.
Finally, there exist specific strategies for certain facets of an effective water supply. The chemicals used in the treatment process will significantly impact quality: their quality and quantity matter in that framework. The commercial policies also will have the greatest impact on equitability: the initial costs of private connections can prevent poor people from accessing water, as do the consumption tariffs. Seen through the lens of equitability, the water enterprise, therefore, needs to revisit commercial policies.

ON THE ADDED-VALUE OF CITIZEN INVOLVEMENT

Willing to provide a local Ethiopian version of the water production process, we notably relied on a focus group with representatives of Ambo citizens to answer our main research question. In this section, we would like to draw some preliminary lessons from this experience.

The focus group discussion showed, first, that there are no particular technical, financial or practical barriers preventing AUWSSSE from routinely collecting input from citizens. Ambo citizens have been perfectly able to provide us with empirical evidence about the water production process and its shortcomings and to consensually agree on the performance indicators they considered most important.

Second, the focus group emphasized that Ambo citizens can significantly impact the water supply process and its performance. For instance, many treatments costs arise out of pollution of water sources by citizens. Also, by boiling distributed water, citizens can share the treatment
costs with the water company, and contribute to an overall better performance. This experiment thus suggests that citizen involvement could be a win-win situation.

In fact, the interests of citizens and water companies may not always converge. The clearest example is the commercial policy, where AUWSSSE emphasizes efficiency, at cost of what Ambo citizens consider valuable. For instance, public pipes cost less than the private connections whereas Ambo citizens unambiguously prefer private connections. Similarly, frequent and precise meter reading tends to oppose corporate and citizen interests.

Interestingly, the focus group also emphasized that citizens have alternatives to the monopolistic supply of water by AUWSSSE: when the quality of the water provided is below acceptable standards, they collect water on their own, leading to lower revenues for the company. This shows that Ambo citizens not only have ‘voice’ but can rely on ‘exit’ strategies as well (Hirschmann, 1970).

As a conclusion of the focus group discussion, one participant distinguished two models of water supply service. In the transactional model, producers and consumers exchange a good – water in this case – for money; while in the transformational model, citizens and government co-produce public value through water. The former sees water supply as the end and sets efficiency as the criterion of success. For the latter, instead, water is a mean for an end (health, nutrition, human dignity, economic activity), and the
attainment of these final outcomes or the effectiveness should be these criterions by which the co-production process should be evaluated. Indeed, the transformational model involves citizen in all stages of the water supply process: not only in priority setting but also the protection of catchment areas, the complementary treatment of water, etc.

Overall, our focus group in Ambo suggests that the participation of citizens in decision-making is positive for both parties, citizens proving able to provide clear input to the water company as to their preferences. Embracing co-production and the transformational model is, however, one step further: it would imply a preference for effectiveness over efficiency, and a significant contribution of citizens to it.

To put it somewhat differently, a water company that wants to improve its effectiveness is advised to share the whole production process with the citizens. However, further research is needed to confirm the positive impact of citizen participation on local government performance.

**CONCLUSIONS AND POLICY RECOMMENDATIONS**

Building on a case-study of Ambo urban local government, this paper has operationalized Pollitt and Bouckaert’s (2011) production process model for water supply and identified relevant performance indicators.

The paper allowed identifying three input indicators: sources of water, human resources, and other nonhuman resources. These inputs are converted into outputs through two ranges of activities: operational activities,
involving catchment, treatment, and distribution of water, and management ones, including investment decisions, commercial policies, and participatory processes with customers or other public organizations; all constitute activity indicators. These activities lead to outputs, essentially: cubic meters of water (produced, sold, consumed and leaked), financial revenues for the enterprise, number of customers, and output related to water utilities and human resource management, all are identified as outputs indicators. This production chain should lead to effective water supply, what customers define in terms of equitability, quality, reliability, accessibility, and acceptability, and which are distinguished as outcome indicators.

Mapping these input, activity, output and outcome indicators of the production process of water supply and the way they interact allowed devising several strategies to improve efficiency and effectiveness of water supply, and activate citizens-local government interaction. Interestingly, while public administration literature has repeatedly emphasized a trade-off between efficiency and effectiveness (Kim, 2000; Pollitt and Bouckaert, 2011), we find in the Ambo case a surprising number of strategies simultaneously contributing to efficiency and effectiveness. As such, they deserve being implemented by local governments’ water enterprise:

Investing in the maintenance of the distribution network to avoid leakages. It contributes to efficiency by reducing water loss, and to effectiveness by avoiding contamination of water, interruption of service and bad color, odor, and taste;

Involving the community in the production process. External actors influence the performance of water enterprise. For example, farmers’ activities can pollute, the poor performance of energy suppliers can lead to interruptions of service, and customers, can test and improve water quality on their own. These actors can help the water enterprise to improve
performance in urban drinking water supply, and hence deserve being involved in the production process;

Ensuring a minimal quality of water. Below that threshold, customers rely on alternative water sources, at their own costs and risks, and it negatively affects the revenues of the water enterprise.

This case study also allowed identifying strategies that contribute to efficiency or effectiveness without negatively affecting the other. Provided that further analysis of precise financial parameters confirms their positive effect, these strategies could be implemented too:

Improving procurement policies. Water enterprises could get better prices by coordinating their purchases, provided that the market can operate more or less freely;

Relying on ground water. Overall, the risks for quality, interruption of service and color, odor and taste of water appear to be lower and, above all, more predictable with ground than surface waters.

Finally, there are strategies implying a policy choice between improving efficiency or effectiveness:

Commercial policies. Increasing coverage happens preferably through public pipes if efficiency is the main concern, and through private connections if an equitable, effective service is preferred. Also, the water enterprise may prefer to serve big consumers to improve efficiency, or aim at equal treatment to improve effectiveness;

Highest quality of water. Effectiveness requires a continuous improvement of water quality; efficiency recommends not investing in quality above a threshold where customers don’t rely on alternative sources anymore.
Finally, the paper emphasizes citizen-local government partnership and participatory local governance to improve performance and accountability. Elements of the production model enable actors to renegotiate goals and improve performance. It enables to ensure a citizen-centred service supply which in turn may consolidate the relationship between citizens and local government. To this end, focus group discussion with citizens clearly revealed that transformational approach is preferred than the transactional approach to structurally integrate citizens into the production process. Nevertheless, to improve the overall performance, balancing transactional and transformational approaches as well as efficiency and effectiveness goals is incontestably advisable (Taylor, 2017). The performance indicators and improvement strategies identified in this paper are a first step in that direction. These findings now need to be confronted with international literature and with other comparable cases in the Oromia region. Then, the framework needs to be tested, in order to better understand the causes of good/poor performance, to create a bench learning platform for local governments to learn from one another, and, ultimately, to improve water supply and better achieve development goals.

**ACKNOWLEDGMENTS**

The authors gratefully acknowledge AUWSSSE for providing useful documents, and interviewees and focus group discussants for their cooperation and sharing their opinions and expectations.

This study has been carried out in the framework of the academic cooperation to development project “Strengthening Institutional Capacity to Support Public Administration and/or Development Management
Programmes at Ambo University” between KU Leuven University and Ambo University, financed by VLIR-UOS (Belgium).

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ANNEX 1 –PROFILE OF INTERVIEWEES

<table>
<thead>
<tr>
<th>Gender</th>
<th>Age</th>
<th>Stay in Ambo (years)</th>
<th>Occupation/ organization</th>
<th>Community role</th>
<th>Major issues</th>
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<tbody>
<tr>
<td>M</td>
<td>F</td>
<td>25-35</td>
<td>36-45</td>
<td>40-60</td>
<td>5-11</td>
</tr>
<tr>
<td>8</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>1</td>
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</table>

ANNEX 2 MAJOR ISSUES DISCUSSED

<table>
<thead>
<tr>
<th>Organization</th>
<th>Position of interviewee</th>
<th>Major issues discussed</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUWSSSE</td>
<td>Human Resource and Logistic Administration Process Team leader</td>
<td>Inputs, major activities, outputs and outcomes of the enterprise. Major challenges</td>
</tr>
<tr>
<td>AUWSSSE</td>
<td>Customer Service head</td>
<td>Inputs, major activities, outputs and outcomes of the enterprise. Major problems/grievances</td>
</tr>
<tr>
<td>AUWSSSE</td>
<td>Water facility supply process team Leader</td>
<td>Inputs, major activities, outputs and outcomes of the enterprise. Problems and challenges</td>
</tr>
<tr>
<td>Organization/Position</td>
<td>Role</td>
<td>Details</td>
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</tr>
<tr>
<td>AUWSSSE</td>
<td>Planning and Budgeting Head</td>
<td>Inputs, major activities, outputs and outcomes of the enterprise. Problems and challenges</td>
</tr>
<tr>
<td>Household head</td>
<td>Customer (male)</td>
<td>Purposes of water use. Expectations and problems. Impact of availability/unavailability of water</td>
</tr>
<tr>
<td>West Shoa Zone Water, Minerals and Energy Office</td>
<td>Hydro-geologist (Zonal expert)</td>
<td>Technical issues in urban water supply, water sources, design</td>
</tr>
<tr>
<td>Ambo University</td>
<td>Lecturer and researcher (Civil engineer)</td>
<td>Technical issues in urban water supply, water sources, design</td>
</tr>
</tbody>
</table>
The Process and Analysis of the National Civil Service Reform in Japan

Yasuyuki WATANABE

The Japanese civil service system was reformed in 2014 by the amendment of the National Public Service Act. The amended act covers a wide range of areas, but the key point is the new appointment process for executive officials. The introduction of this new process changed the relationship between the Prime Minister and executive officials drastically. This article first describes the reason why the Japanese government had to undertake the civil service reform. This article will then analyze the content and process of this reform in two dimensions (i.e., transformational factors and transactional factors) by applying Burke-Litwin Model, after which it will explain how the reform changed the relationship between the Prime Minister and executive officials.

INTRODUCTION

Japan has one of the most successful economies in the world. It is often said that the success is partly due to the activities of bureaucrats, or executive officials. For example, Johnson states that they played important roles in Japan's economic development (Johnson, 1982).

It is true to say that executive officials, who are career civil servants, at the executive branch actually governed Japan. The portion of executive officials is very small. While the number of public employees (regular service, excluding prosecutors and employees of specified incorporated administrative agencies) was around 275,000, only around 600 people were
appointed as executive officials in 2014\(^2\). Even if the number of executive officials was small, their power was huge.

They had been insulated from direct political pressure because political appointments were extremely exceptional. The appointments of executive officials were actually determined by themselves. Due to these facts, they had enjoyed autonomy and sought the interest of their own ministries for a long time.

Therefore, the national civil service reform had been regarded as taboo for years. Successive cabinets could not tackle this issue because it had been expected that bureaucrats would have resisted against the reform so severely that the cabinets could not work anymore.

However, the government took on this difficult task under the leadership of Prime Minister Abe during the first Abe Cabinet (2006-2007) and the second Abe Cabinet (2012-) because, from the viewpoint of national interest, it was believed necessary to strengthen the power of the Prime Minister to decrease the problem of bureaucratic dogmatism and sectionalism.

The aim of this article is to explain the content and process of this reform and to analyze whether the reform changed the relationship between the Prime Minister and bureaucrats, or executive officials.

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THEORETICAL FRAMEWORK

For the purpose of this paper, the process and content of the reform will be examined by applying the Burke-Litwin Model, which is a theoretical framework (Burke, 2002).

The Burke-Litwin model is one of the most comprehensive and practical models (Figure 1). This model is systemic; that is, when some factors of the system are changed, other factors eventually will be affected.

The model is also versatile and international. For example, the analyses of Dime Bancorp (the holding company for The Dime Savings Bank of New York) and British Broadcasting Corporation (BBC) were made based upon this model demonstrating its usefulness (Burke, 2002).

This model is suitable to analyze this civil service reform because it can explain the process of how organization change occurs, especially when the change is planned. As stated below, the civil service reform was planned and a hybrid of first-order change and second-order change.

According to organization change research and theory, there are useful distinctions about organization change: planned versus unplanned change and first-order versus second-order change (Burke, 2002).

Planned change means a deliberate, conscious decision to change the system in a deeper, more fundamental way, while unplanned change occurs when the organization has to respond to some unanticipated external change. First-order change refers to “continuous improvement,” while second-order change is radical, more fundamental change that is paradigmatic.

The transformational form is a second-order level of change, which is discontinuous and revolutionary, while the transactional one is a first-order change, which is continuous and evolutionary.
Before applying this model to civil service reform, each factor should be defined (Burke, 2002).

*External environment, mission and strategy, leadership, and organization culture* are referred to as transformational factors.

*External environment* is defined as forces or variables outside the organization that influence or will soon influence organizational performance. In general, an organization is open because of its dependency on and continual interaction with the external environment.

*Mission and strategy, leadership, and organization culture* immediately and directly respond to the external environment.
Mission indicates the purpose and primary goals of the organization, while strategy indicates how the mission is to be accomplished.

As for leadership, leaders create new realities and transform status quos. There is a discontinuity between the extremely high uncertainty of success before the fact and the obviousness of the solution after the fact. Leadership is the art of transcending this discontinuity (Noda, 2004).

As Robbins and Judge state:

Transformational leadership inspire followers to transcend their own self-interests for the good of the organization and are capable of having a profound and extraordinary effect on their followers. They pay attention to the concerns and developmental needs of individual followers; they change followers’ awareness of issues by helping them to look at old problems in new ways; and they are able to excite, arouse, and inspire followers to put out extra effort to achieve group goals. (Robbins and Judge, 2010)

Organization culture refers to the group and organizational norms to which members conform. The concept of organization culture closely associates with the concept of learning organization. Learning organizations use double-loop learning, which challenges deeply rooted assumptions and norms within an organization. In this way, it provides opportunities for radically different solutions to problems and dramatic jumps in improvement (Robbins and Judge, 2010).

Structure, management practices, systems (policies and procedures), work unit climate, task requirements and individual skills/abilities, motivation, individual needs and values, and individual and organizational performance are referred to as transactional factors that indicate the day-to-day operations (transactions) of the organization.

Structure refers to the arrangement of organizational functions and/or operational units that lead to implementation of the organization’s mission and strategy.
Management practices address what managers do each workday to carry out the organization’s strategy. Transformational factors are more closely linked with leadership, and transactional factors are more closely associated with management. Leadership is different from management. Leadership and management are two distinctive and complementary systems of action. Leadership is about coping with change, while management is about coping with complexity (Kotter, 1990).

Systems (policies and procedures) are designed to help and support organizational members with their job and role responsibilities.

Work unit climate is the collective perceptions of members within the same work unit.

Task requirements and individual skills/abilities is job-person match: the degree to which there is congruence between the requirements of one’s job, role, and responsibilities, and the knowledge, skills, and abilities (competence or talent) of the individual holding the job.

Individual needs and values concern the extent to which one’s needs are met on the job.

Motivation is defined as the processes that account for an individual’s intensity, direction, and persistence of effort toward attaining a goal. There are two types of motivation: intrinsic motivation and extrinsic motivation. Intrinsic motivation occurs when people are motivated to engage in an activity for its own sake such as participate in decision making, greater job freedom and discretion, more responsibility, and more interesting work. Extrinsic motivation occurs when people are motivated to perform a behaviour to earn a reward or avoid punishment such as payment and promotion/demotion.

Individual and organizational performance can be expressed as the ratio of output to input. For example, in higher education program evaluation, the
number of teachers and the amount of their salary is input and the number of the student who can graduate is output. The output should be consistent with an organization’s mission and strategy.

A fundamental premise of the Burke-Litwin model is that planned change follows the flow from the top, or external environment, to the bottom, or performance, and that change in transformational factors leads to change in transactional factors such as management practices, work unit climate, motivation of employees, and finally performance.

The external environment had the greatest impact on the civil service reform. The external environment stimulated the transformational factors of the civil service system, which had influenced over transactional factors.

**EXTERNAL ENVIRONMENT TO PROMOTE CIVIL SERVICE REFORM**

As Japanese society changed, the Japanese government system, which used to function well, became outdated and no longer dealt with new social problems such as the declining birth rate and aging population.

The policies that the Japanese government planned and implemented were sometimes dogmatic and totally divorced from the needs of the people. Thus, the government had been criticized for causing “the lost two decades.”

There were several reasons why the Japanese government has malfunctioned.

One of the reasons is the “bureaucracy-controlled cabinet system.” It refers to the situation that most policies are planned and implemented by government officials, who are not elected by the people.

The bureaucrats’ behaviour in the process of legislation was a distinctive feature. In the Japanese Government, there were many draft bills from various ministries. For example, in Diet Session No. 186 (held from January
24 to June 22, 2014), about 50% of the total number of draft bills that were submitted to the Diet were not originally made by the Diet members but by the Cabinet, in other words, government officials in the executive branch. About 80% of the total number of passed laws were made by the Cabinet. Therefore, the executive branch of the government had formulated most policies. It should be noted that in administrative organizations like ministries, Directors or those of lower level positions are in charge of compiling draft bills.

The system brought about the “principal-agent problem” (Milgrom and Roberts, 1992). Government officials (agents) were able to make decisions on behalf of ministers (principals), and sometimes the agents deviated from pursuing the interest of the principals to satisfy their own interest and were motivated to act in their own best interests rather than those of their principals, or officials who were their superiors. It led to the problem of moral hazard, or the risk that an individual or organization would act irresponsibly or recklessly if protected or exempt from the consequences of an action. Therefore, government officials sometimes sought their own ministerial interest instead of the national interest because each ministerial personnel division tended to evaluate its executive candidates from the viewpoint of the interest of its ministry.

Sakaiya, who was a former government official and the chairman of “A Panel of Experts on Comprehensive Civil Service Reform” (explained below), criticized the bureaucracy in an interview in his later days22:

> Japan’s bureaucracy engages in behind-the-scenes dealings with Diet members. Bureaucrats make direct appeals to Diet members, urging them to vote in favor of a

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certain piece of legislation or allocate a budget for a certain program. Diet members become dependent on the information they get from bureaucrats. The cabinet is reduced to the role of facilitator, pulling the political strings on behalf of the bureaucrats and ensuring that the bureaucrats’ agenda gets through....In Japan, being a civil servant is more like a prestigious social position than a job. Civil servants’ career paths are largely determined by their exam results at the outset of their professional lives. After that, they progress smoothly up the ladder, enjoying steady pay rises regardless of talent or hard work. As a general rule, civil servants also enjoy lifelong job security.

Sakaiya also criticized that:

*Japan’s political system and practices are controlled by the bureaucracy. Diet members are divided tribally according to government ministry and agency. Their main job is lobbying [the bureaucracy] on behalf of their representative special interest. In so doing, they have lowered themselves to become “branch members” of the Diet ministries. As a result, the Diet members and parties have virtually no ability to write policies or legislation.*

Another problem derived from the “bureaucracy-controlled cabinet system” is the difficulty of the Japanese government to plan and implement assertive policies.

Government officials, who are not entrusted by the people through election and have no legitimacy established by the public’s decision, cannot assertively plan and implement any policy from which would arise sharply divided reactions if the policy were planned or implemented. In the past “catch-up era” of high economic growth, government officials could have found policies from Western countries that had already been successful, from which divided reactions might not arise. Therefore, government officials

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23 Sakaiya T (1993) Sankei Shinbun 28 April
had not had so much difficulty to plan and implement these policies. However, since the 1990s, the Japanese government has been facing a range of problems that no other country had faced yet, such as declining birth rate and regional depopulation. Thus, the government officials came to feel at a loss and became reluctant to make and implement policies that did not have a precedent of success.

This problem is partly explained in the report “A Panel of Experts on Comprehensive Civil Service Reform24” as seen in the following extracts:

*Since the Meiji era, the status quo of Japan's national civil service system was based on the original philosophy of “catching up and overtaking the developed Western countries,” so a centralized system was taken and established in the period of high economic growth with the aim to establish a modern industrial society. In the catch-up era, the system made a great contribution to promoting the standardized mass production system. However, now, having become a front-runner, our country has not conformed to a human civilization that is determined by diverse intellectual value creation. For this reason, it is also difficult to satisfy peoples' needs for diversity and ready public service. Even if every civil servant is competent, if his/her organization does not follow the direction of human civilization and the people's needs, it is impossible to produce results and is evaluated as poor.*

The second reason that the Japanese government malfunctioned is called “trained incapacity.” Trained incapacity refers to actions based upon training and skills, which have been successfully applied in the past, which may result in inappropriate responses under changed conditions (Merton, 1957).

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This occurs when formalistic goals become more important than the main substantive goal of an organization. As Merton says:

*The process may be briefly recapitulated. (1) An effective bureaucracy demands reliability of response and strict devotion to regulations. (2) Such devotion to the rules leads to their transformation into absolutes; they are no longer conceived as relative to a set of purposes. (3) This interferes with ready adaptation under special conditions not clearly envisaged by those who drew up the general rules. (4) Thus, the very elements which conduce toward efficiency in general produce inefficiency in specific instances. Full realization of the inadequacy is seldom attained by members of the group who have not divorced themselves from the meanings which the rules have for them. These rules in time become symbolic in cast, rather than strictly utilitarian (Merton, 1957).*

“Trained incapacity” leads to the phenomena of “depersonalization,” which is the specific nature of bureaucracy. It is also called “banality of evil.” The term was used by Arendt for describing people who work at an organization and carry out unspeakable crimes yet may not be monsters, but rather ordinary individuals who ignore their moral responsibility, being uninspired bureaucrats who simply sit at their desk and do their work.²⁵ Milgram also explains the behavior:

*There is a fragmentation of the total human act; no one man decides to carry out the evil act and is confronted with its consequences. The person who assumes full responsibility for the act has evaporated. Perhaps this is the most common characteristic of socially organized evil in modern society (Milgram, 1974).*

“Groupthink” also depersonalizes government officials. Groupthink is described as situations in which group pressures for conformity deter the

²⁵ In her book, Arendt described Eichmann, a top administrator in the machinery of the Nazi death camps, as follows, “Except for an extraordinary diligence in looking out for his personal advancement, he had no motives at all. And this diligence in itself was in no way criminal; he certainly would never have murdered his superior in order to inherit his post. He merely, to put the matter colloquially, never realized what he was doing” (Arendt, 1963).
group from critically appraising unusual, minority, or unpopular views. As members of an organization, most of them tend to desire acceptance by the other members. Because of their desire for acceptance, they are susceptible to conforming to other’s assumptions, no matter how strongly the evidence may contradict the assumptions. Groupthink hinders the performance of the group. Those who have doubts or hold differing points of view seek to avoid deviating from what appears to be group consensus by keeping silent about misgivings and even minimizing to themselves the importance of their doubts (Robbins and Judge, 2010).

Kurokawa, who was the chairman of the National Diet of Japan Fukushima Nuclear Accident Independent Investigation Commission, said that the accident at the Fukushima Daiichi Nuclear Power Plant after the earthquake and tsunami of March 11, 2011 was “Made in Japan” and “reflexive obedience; our reluctance to question authority; our devotion to ‘sticking with the program’; our groupism; and our insularity” caused the accident.26

"In-group bias" also strengthens bureaucratic behavior. Part of our self-concept (or identity) is defined in terms of group affiliations, and we can relish being a member of the group when our own group can be perceived as superior on some dimension of value. Therefore, there is a preference to view those in-groups positively rather than negatively. The bias can produce a dogmatic attitude. It is explained by Merton:

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There may ensue...the process of sanctification. This is to say that through sentiment-formation, emotional dependence upon bureaucratic symbols and status, and affective involvement in spheres of competence and authority, there develop prerogatives involving attitudes of moral legitimacy which are established as values in their own right, and are no longer viewed as merely technical means for expediting administration. One may note a tendency for certain bureaucratic norms, originally introduced for technical reasons, to become rigidified and sacred (Merton, 1957).

These biases bring the sense of not being responsible. The attitudes and actual behaviours of government officials while working are consistent with a role, and they create the role identity. The officials view themselves as the instrument for playing the assigned role. By their lack of imagination, they cannot put themselves in others’ shoes. Therefore, they can devalue people and do harm to them without the prick of conscience. Their moral concerns shift to a consideration of how well they can live up to the expectations that the organizations have of their assignment.

Government officials tend to have the sense of a common destiny for all those who work together. They feel as if they were members of a family. In such a homogeneous group, most officials have an in-group bias. They tend to think much of the interest of their own group rather than the interest of the people.

For such reasons, the Japanese government system fell into malfunction.

**TRANSFORMATIONAL DIMENSIONS OF CIVIL SERVICE REFORM**

To solve the problem of the “bureaucracy-controlled cabinet system,” it was important for government officials, who are entrusted by the people through election, such as ministers, to have the power to control bureaucrats. In other words, there was a need for a transfer of the initiative
from the bureaucracy to politics and a shift from a bureaucracy-controlled cabinet system to a genuine parliamentary cabinet system.

In order for the principal to seize power over the agent, the principal has to devise schemes that will induce the agent to act in ways that the principal prefers (Dutta, 2000). Often, the principal attempts to offer incentives to the agent to encourage the agent to act in the principal’s best interest. It was deemed that the authority to manage personnel affairs such as the discretionary power over the promotion and demotion of bureaucrats was one of the most effective schemes.

The authority to manage personnel affairs is at the core of administrative management and the most important in human resource management. Promotion and demotion is the most traditional and popular means to encourage employees to exert their effort to work. Han Fei Tzu, the foundational China’s political philosopher of the Warring States period (475-221 BC), states that the lord of men (principal) controls his ministers (agent) by means of chastisement and commendation. Supposing the ruler cast aside the handles of chastisement and commendation and let the ministers use them, the ruler would in turn be controlled by the ministers (Liao, 1939).

Besides, ministerial sectionalism had to be overcome. This ministerial sectionalism has caused the lack of a coherent strategy to manage the segmented system. Thus, it was necessary for the Prime Minister, who is in charge of the entire country and the national interest, to seize authority over executive officials and to exercise strong leadership over them based upon his/her clear vision and strategy.

Therefore, it became one of the most important missions of the first Abe Cabinet. The civil service reform started in 2006 due to the strong leadership of Prime Minister Abe. One of the most important purposes of this reform was to make a new structure and systems (policies and procedures) to shift the
power from bureaucrats to the Prime Minister and to get rid of ministerial sectionalism, which would change the *management practices* and *motivation* of executive officials.

A Cabinet decision called “Toward civil service reform” was made on April 24, 2007. The cabinet decided to draft a “package” of measures to reform the civil service system. The cabinet decision states that the government shall establish “A Panel of Experts on Comprehensive Civil Service Reform” under the jurisdiction of the Prime Minister. This comprehensively discusses the issues regarding the civil servant personnel system from recruitment to retirement. Based upon the discussion, the panel shall submit a draft bill, tentatively called the “Basic Act for Civil Service Reform” that incorporates a guideline to reform the civil service system comprehensively. By this decision, the government was supposed to submit the bill to the Diet at its next ordinary session held in 2008.

According to the aide of the minister in charge of administrative reform, the reason that this “package of reform measures” was incorporated in the cabinet decision is explained as follows:

*The idea of the “package” was at first brought into the discussion in order to postpone the ban of amakudari (a practice of shifting retired bureaucrats to industries related to the public sector work that they retired from). This was intended to make the excuse that the ban of amakudari could not be made until the entire personnel system had been reformed. Even after it was decided to prohibit amakudari, the issue of reforming the entire personnel system remained. “Many a true word is spoken in jest.” This has unexpectedly led to a drastic reform of the civil service system (Hara, 2010).*

Some government officials at the Office for the Promotion of Administrative Reform under the Cabinet Secretariat, which was in charge of the civil service reform, shared the awareness that the Japanese government was not functioning as well as it had previously. Therefore, they tried to take advantage of this unexpected opportunity to promote the *mission*, or a
Drastic reform of the civil service system to change the “bureaucracy-controlled cabinet system.” The idea of civil service reform was shared with the Prime Minister and the minister who was in charge of administrative reform. It means that the change in the external environment surrounding the civil service system influenced part of the organization culture.

Under the leadership of Prime Minister Abe and the minister, the strategies to accomplish the mission to reform civil service system were incorporated at the Office for the Promotion of Administrative Reform. The tactics of “pre-persuasion” were used as one of the strategies in the transformational dimension.

“Pre-persuasion” is a term that refers to the process of taking control of a situation to establish a favourable climate of influence by using this character of human beings. Pratkanis and Aronson explain “pre-persuasion” tactics:

*Through the labels we use to describe an object or event, we can define it in such a way that the recipient of our message accepts our definition of the situation and is thus pre-persuaded even before we seriously begin to argue (Pratkanis and Aronson, 1992).*

“Agenda Setting” is also used for pre-persuasion. This is very important because it determines what issues will be discussed. Issues placed on an agenda appear important and deserve thorough discussion. Therefore, other issues are not worth discussion (Pratkanis, 2014).

These stratagems were used during the process of incorporating the civil service reform plan.

The 1st Panel of Experts on Comprehensive Civil Service Reform was held based on the above cabinet decision on July 24, 2007. Even if it had been decided to discuss the “package” at the panel, there was no idea what the “package” was at the beginning of the panel discussion. Therefore, the Office
for the Promotion of Administrative Reform, which was responsible for organizing the meeting at that time, distributed “Items that were pointed out regarding the national civil service reform” in order to lead and limit the discussion by members of the expert panel. These materials contained the “system of personnel management of executive officials (including the batch management system).” This is a technique of “agenda setting” for pre-persuasion. Based upon the distributed materials, the topic of “executive personnel management” was discussed in the later panels.

Based on the discussion, the expert panel submitted the report “A Panel of Experts on Comprehensive Civil Service Reform” to the Prime Minister on February 5, 2008. The report incorporated the installation of the centralized personnel management system of executive government officials.

The “Basic Act for Civil Service Reform” (hereinafter referred to as the “Basic Act”) was drafted on the basis of the report. Despite bureaucrats’ stout resistance, the bill was submitted to the Diet and enacted on June 13, 2008. The accomplishment was mainly due to the leadership of the Prime Minister and the minister who was in charge of civil service reform. The act laid down the fundamental concept and guideline of reform, and other acts were needed to implement the reforms.

After the Basic Act was passed, the bill to amend the National Civil Service Act was drafted at the office in order to incorporate the concept of the Basic Act into the act. The bill was submitted to the Diet on March 31, 2009. However, after Abe had resigned as Prime Minister, the momentum of the reform had waned. Therefore, the bill submitted to the Diet was not passed.

In 2010, the bill called “Partial Amendment to the National Public Service Act” was submitted again to the Diet; however, it was not passed.

In 2011, the “Four bills concerning National Civil Service Reform” were submitted to the Diet, but these were not passed either.
In December of 2012, Abe was appointed the Prime Minister for the second time (the second Abe Cabinet). The momentum for the reform increased again.

In June of 2013, the Prime Minister held the first meeting of the Headquarters to promote Civil Service Reform. During the meeting, the civil service reform of the future was discussed and decided. Following the day’s decision, the Prime Minister said in his address:27

"Today, “Civil Service Reform of the Future” was approved. I recognize that creating a new civil service system whereby civil servants are able to take proactive action for the country and for the people, with a sense of mission and pride as professionals in administrative affairs under true political leadership, is an urgent task. Therefore, under the reform on this occasion, we will promote a unified management of executive officials, which has been a challenge since the first Abe Cabinet."

Under the leadership of Prime Minister Abe, as stated above, the “Partial Amendment to the National Public Service Act, etc.” (hereinafter referred to as the “Amendment Act”) was eventually enacted on April 11 and promulgated on April 18, 2014. The text of the Amendment Act is almost the same of the act which was submitted to the Diet in 2009.

It clearly shows how the leadership of Prime Minister was important to promote this civil service reform.

TRANSACTIONAL DIMENSIONS OF CIVIL SERVICE REFORM

The Amendment Act covers a wide range of areas, but, from the viewpoint of presidential power, the key point is the “introduction of centralized personnel management system of executive government officials.”

The Amendment Act provides the system (policies and procedure) and structure of civil service reform.

Articles 61-2, 61-2, and 61-3 of the Amendment Act provide for the centralized personnel management system of executive government officials28. The Chief Cabinet Secretary, as delegated by the Prime Minister, shall conduct screening to confirm if the active executive officials and people who are expected to have abilities suitable for executive officials can perform standard duties of government positions in the executive service (hereinafter referred to as “eligibility examination”). In addition, the Chief Cabinet Secretary, as delegated by the Prime Minister, shall make a list of executive candidates who pass the eligibility examination.

Executive officials are appointed to executive service positions from among those who are on the executive candidates list and have the aptitude required for the said position based upon his/her personnel evaluation only after consultation with the Prime Minister and Chief Cabinet Secretary (See Figure 2.).

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Given that the Chief Cabinet Secretary is appointed by the Prime Minister, introduction of this system makes the Prime Minister the only person in the government who has the power to veto the nominees of executive officials.

Prior to the reform, the Prime Minister and ministers could not interfere in personnel affairs of government officials. Although the power to appoint executive officials legally belonged to the ministers (the power to appoint civil servants still lies with ministers under current law), there was an unwritten
rule that politicians should not interfere in the personnel affairs of government officials. Whenever the ministers meddled in personnel affairs of the bureaucracy, incidents occurred (Hara, 2010).

The Amendment Act changed the situation that ministerial interests were given precedence, which impeded the national interest. Now the Prime Minister can exercise the power to veto the nominees who have pursued the interest of their own ministries at the cost of the national interest.

The Cabinet Bureau of Personnel Affairs was launched on May 30, 2014 to help the Prime Minister to establish a comprehensive personnel strategy for this government and to achieve the strategic placement of personnel suited to key government positions. The head of this bureau is the Deputy Chief of the Cabinet Secretary. The total workforce of the bureau is around 160 people.

The new structure and system changed the management practices and the motivation of the officials, especially executive officials.

By setting an eligibility examination and consultation process with the Prime Minister and Chief Cabinet Secretary, task requirements and individual skills/abilities required for executive officials have changed. They have to adjust their attitude and train their abilities in accordance with the mission of this civil service reform.

Every candidate for an executive official position has a keen interest in what the Prime Minister thinks and wants to do. It becomes difficult for executive officials to ignore or object to the instruction of the Prime Minister without a sound reason.

Promotion is one of the most important individual needs, and it is able to increase individual extrinsic motivation as well as intrinsic motivation.

Motivation to seek the national interest is encouraged by this structure and systems. Therefore, the work unit climate in each ministry has changed
gradually through the day-to-day operations (transactions), which in turn has changed the *organization culture* of each ministry.

**CONCLUSION**

The Amendment Act changed the *management practices* of personnel affairs in the Japanese government. The impact of the reform was immense. The 2014 reform transferred the power to determine personnel affairs from executive government officials to the Prime Minister\(^{29}\).

In May of 2017, Abe became the third-longest serving Prime Minister in post-war Japan. That shows a sharp contrast with the years before his return to power, when Japan had six Prime Ministers in six years. It seems that the civil service reform resulted in establishing the basis for a long-term stable government.

Abe’s grip on power over executive officials became so tight that they could not resist against his leadership and seek their own ministerial interest. Therefore, he could push through controversial reforms over the objections of key government agencies and ministries. The emergence of a stronger Prime Minister replaced the cumbersome, bottom-up, consensus-building, fragmented model of management with a more agile top-down decision-making process. He got to maintain centralized control over the ministries and carry out policy-making in a responsive and decisive manner.

However, this strong exercising of power by the Prime Minister seemed to provoke a backlash from executive officials.

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Former top education ministry bureaucrat Maekawa claimed that “the education ministry today cannot resist the intentions of the nerve center of government, nor can it make responsible decisions on its own, which is highly problematic.”

An article describes the new relationship between the Prime Minister and executive officials:

Since the establishment of the second Abe administration, the Prime Minister's team is overconfident from its experience of success over a period of four and a half years. The Cabinet Bureau of Personnel Affairs has control of the officials at government ministries and agencies, and has controlled bureaucrats through political leadership. The Prime Minister has said that bureaucrats don't pay special consideration to him, but this is coming from the person receiving special consideration merely appears as obstinate insistence.

The reason that Chief Cabinet Secretary Suga became so angered by the charge divulged by former education Vice Minister Kihei Maekawa (the former top bureaucrat in the ministry) over the Kake issue is probably that it looked like a "bureaucratic coup d'état." The Kasumigaseki district (where central government organizations are located) that had been held down in the past may no longer pretend to obey the Cabinet Office.

These articles, which describe the resistance from bureaucrats, reveal the fact that the mission of the civil service reform, or solving the problem of the bureaucracy-controlled cabinet system, has been accomplished and the

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30 Quoted from the article of The Mainichi Newspapers, titled “Ex-top bureaucrat's bombshell hints at pressure from PM's office to distort truth” (as of 26 May 2017). Available at: https://mainichi.jp/english/articles/20170526/p2a/00m/0na/010000c (accessed 19 August 2017).

31 Quoted from the article of The Mainichi Newspapers, titled “Overconfident Abe, weak opposition: Mainichi reporters delve into irregular Diet dealings” (as of 22 June 2017). Available at: https://mainichi.jp/english/articles/20170622/p2a/00m/0na/019000c (accessed 19 August 2017).
“principal agent problem” has disappeared. In that sense, the civil service reform has been successful so far.

However, these articles also indicate that the reform gives rise to the risk that the Prime Minister dominates executive officials and abuses his/her power, which is not beneficial in terms of the interest of the People. As the founders of US say, “the structure of the government must furnish the proper checks and balances between the different departments” and “ambition must be made to counteract ambition.”

It is still uncertain whether the relationship between the Prime Minister and executive officials changes to be “checks-and-balances” or “dominant-subservient.”

From this point of view, future progress of their relationship should be carefully watched.

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Welfare system financing in Belarus
Yuri KRIVOROTKO

Andrei BLAKHIN

The topic of welfare sector development in Belarus is nowadays of huge interest since by means of welfare development level it is possible to judge the level and the country’s economic system and the quality of public sector services as well. In recent years, especially in time of recession, the welfare sector positions in Belarus have been considerably weakened. And this is partly explained by the aspiration to keep the old Soviet designs in the welfare system construction. At the same time, when national and sub national budgets are planned, the governments try to hold with great difficulty the budgetary indicators of welfare sphere at the level of last years. Such attempts, however, lead to the saving of budgetary funds only and they influence the deterioration of the welfare quality.

The present paper pursues the aim to show: (i) what tendencies of social budgetary policy can be observed in the time of economic recession (ii), how consistent was the welfare orientation of the central and local budgets in practice and (iii) what prospect ways for welfare sector improvement are there in Belarus.

This paper considers the Belarusian welfare branches in national budget and sub national ones, their structure, dynamics and other important indicators. The comparative analysis of welfare sector branches with other European countries is submitted. The paper opens with the inconsistent policy of the Belarusian authorities in the sphere of welfare branches funding. Prospect issues of welfare sphere finance reformation in Belarus in time of an economic crisis are considered.

Key words: welfare sphere branches, national budget, local budgets, budget expenditures, public finance

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SOURCES OF WELFARE SPENDING IN BELARUS

In recent years, development of the Belarusian welfare sector (health care, education, physical culture, sport, culture, mass media and social policy) was characterized by significant growth. During 2005–2014, the personal income per capita has increased in nominal terms by 13.9 times, expenditures on final consumption have raised by 10.7 times and GDP per capita by 12.2 times.

However, the growth of these indicators was promoted not so much by structural reforms and economic modernization with compliance of market rules, but more by exporting Russian cheap oil based products in the EU countries. It had brought big "profits" for the Belarusian economy in the form of customs duties and filled up the national budget with tax revenue from foreign economic activity. In the last decade, share of customs duties in the national (republican) budget revenues has increased from 7.9 up to 14.4 percent, and in 2011 and 2012 it reached 28.0 and 26.8 percent. In addition, injections in the form of loans from international financial organizations and other fraternal countries have pumped the budget of Belarus (Lyvachko A., 2011).

The main actors of Belarusian welfare policy are the official authority and governmental organizations. The non-governmental organizations having innovative potential are seldom attracted as partners. Despite the rather developed welfare system, the interaction of the state with other entities is governed by the principles of the Soviet period when the state was both the decision-maker and the main implementing actor.
WELFARE EXPENDITURES: INCREASING SHARE OF LOCAL BUDGETS

Based on growth of national and local budgets the development of the welfare sphere is carried out in Belarus. So, the welfare sector funding is provided by these budgets only. The following figure 1 characterizes the dynamics of expenditure covering the welfare sphere for 2010-2016.

As Figure 1 shows, for the analyzed period, the welfare sphere funding structure developed in favour of sub national budgets. If in 2010, the sub national budgets covered 69.0 percent of welfare sphere expenditures, then in 2016–79 percent.

For the last five years by means of consolidated budget's growth rate the following welfare branches were developed: health care, education, fitness, sport, culture, mass media, and social policy. During 2010-2016 the average annual increase of welfare expenditures in the national budget was 9.9
percent and in sub national budgets 10.3 percent. Thus, in local budgets the welfare branches expenditures annually grew, more than in the consolidated budget. It is illustrated by table 1.

Table 1
Annual average growth of welfare sphere expenditures funded by the consolidated budget and by the sub national ones (in percentage)

<table>
<thead>
<tr>
<th>Welfare sphere expenditures</th>
<th>Expenditure growth in the consolidated budget of Belarus</th>
<th>Expenditure growth in the sub national budgets of Belarus</th>
<th>Average annual growth (2010-2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/2010</td>
<td>101.21</td>
<td>101.86</td>
<td>109.9</td>
</tr>
<tr>
<td>2012/2011</td>
<td>113.16</td>
<td>115.14</td>
<td></td>
</tr>
<tr>
<td>2013/2012</td>
<td>109.92</td>
<td>110.76</td>
<td></td>
</tr>
<tr>
<td>2014/2013</td>
<td>100.74</td>
<td>101.58</td>
<td></td>
</tr>
<tr>
<td>2015/2014</td>
<td>114.41</td>
<td>110.4</td>
<td></td>
</tr>
<tr>
<td>2016/2015</td>
<td>110.9</td>
<td>112.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own author’s calculations based on the Ministry of Finance of the Republic of Belarus reports.

Such excess demonstrates that local budgets, as well as in EU countries, cover much more widely social/public areas than national budgets. It is possible to draw a conclusion that each Belarusian rubble invested into local budgets gave more effect than the rubble invested into the national /central budget.
In 2015-2016 welfare sector expenditures have captured more than 20 percent of the national (central) budget and nearly 50% of sub national ones and their shares in GDP reached 3.5 and 8.6 percent, respectively in 2016 (See fig.2 and 3).

![Fig.2. Share of welfare branches expenditures in the national/central budget and to GDP (percentage).](image)

**Source:** Own author’s calculations on the basis of the Ministry of Finance of the Republic of Belarus reports.

As Figure 2 shows, the greatest share of national budget welfare expenditures is on social policy, the second is on education. Public education expenditures are the largest in the sub national budgets, followed by health care expenditures.

However, a comparative analysis of welfare expenditures to GDP shows that Belarus is still far from the European and international standards. According to the public expenditures review of Belarus prepared by the World Bank experts in 2013, the health care expenditures (5.4 percent) were
lower than in the ten new EU countries\textsuperscript{34} (Belarus Public Expenditure Review (2013). For example, in Lithuania 7 percent of the GDP are spent for health care. At the same time, according to the World Health Organization, Belarus is in the 105th place of the 190 countries ranked by the level of health care expenditures to GDP [Spasyuk, 2016].

![Bar chart showing the share of welfare branches expenditures in the subnational budgets and to GDP (percentage).](image)

Fig. 3. Share of welfare branches expenditures in the subnational budgets and to GDP (percentage).

\textit{Source}: Own author’s calculations on the basis of the Ministry of Finance of the Republic of Belarus reports.

As Figure 3 shows, the greatest expenditure share in the welfare sphere is the education’s share which dominates in sub national budgets. The health care expenditures take the second place in hierarchy in welfare branches. The subsequent places are taken by expenditures on social policy

\textsuperscript{34} i. e. Member States that acceded on 1 May 2004 to the European Union.
and culture, fitness, sport and mass media. A comparative analysis of welfare branches expenditures to GDP shows that Belarus is still far from the European and international standards. According to the public expenditures review of Belarus, prepared by the World Bank experts in 2013, the health care expenditures have appeared lower than the level of new ten EU countries (5.4 percent). For example, according to the Lithuanian National Fund of Insurance, in Lithuania 7 percent of GDP are spent for health care. The main leader in health care expenditures in relation to GDP is the USA – 17.2 percent. In GB where the health system is public, the share of expenditures from GDP makes 9.4 percent. At the same time, in a rating of the World Health Organization, Belarus occupies the 105th of 190 places on the level of health care costs to GDP (Spasyuk E., 2016).

It should be noted that the welfare sphere expenditures are not equally developed in oblast budgets. In 2014 the smallest share of expenses on welfare were in the budget of Minsk – 37.96 percent and in the budget of the Minsk oblast – 48.34 percent, the greatest share – in the Vitebsk oblast’s local budgets – 54.7 percent, in the Mogilev oblast – 54.53 percent, in the Brest oblast – 54.11 percent what is characterized by data of the following table 2.

<table>
<thead>
<tr>
<th>Share of welfare branches in oblast budget expenditures</th>
<th>Budgets of oblasts (regions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Brestskaya</td>
</tr>
<tr>
<td>Health care</td>
<td>20.36</td>
</tr>
<tr>
<td>Education</td>
<td>25.77</td>
</tr>
<tr>
<td>Social policy</td>
<td>4.1</td>
</tr>
<tr>
<td>Fitness, sport, culture mass media</td>
<td>3.87</td>
</tr>
<tr>
<td>Total: Welfare branches in oblast budget expenditures</td>
<td>54.11</td>
</tr>
</tbody>
</table>
Source: Own author’s calculations on the basis of the Ministry of Finance of the Republic of Belarus reports

The table above shows that the welfare expenditures in oblasts were almost similarly formed as in sub national budgets. The reason of discrepancies can be explained not so much in features of local budget expenditures but on the number of oblasts revenue opportunities. It is important to note that the welfare expenditures are not equally developed in the sub national (oblast) budgets. In 2014, the share of expenses on welfare was the smallest in the budget of Minsk city (37.96%) and in the Minsk oblast (48.34%), while the highest in the Vitebsk oblast (54.7%). It can be explained not so much by diverse local budget preferences, but by the oblasts’ revenue potentials. In Minsk city, in the Minskaya oblast there was a rather strong revenue base for covering the standard welfare costs. Therefore, these oblasts had an opportunity to re-direct the remaining revenues to other areas, such as housing and communal services, housing construction, law-enforcement activity, maintenance of order, etc.

Further welfare branches analysis has shown dynamics of growth by expenditure indicator per inhabitant in Euro equivalent. For the analyzed period on all welfare branches, the annual growing expenditures in Euro currency assessment, on average 1.8 percent have been noticed. Most expenditure per inhabitant grew in health care – 17.7 percent and in fitness, sport, culture and mass media – 8.3 percent in comparison with the starting of 2010, which can be seen from table 3.
Table 3
Welfare branches expenditures per inhabitant in consolidated budget for 2010-2016 (nominated in Euro equivalent)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care</td>
<td>166.95</td>
<td>170.24</td>
<td>200.89</td>
<td>224.78</td>
<td>230.91</td>
<td>209.63</td>
<td>196.58</td>
</tr>
<tr>
<td>Education</td>
<td>215.5</td>
<td>224.83</td>
<td>256.15</td>
<td>286.93</td>
<td>286.45</td>
<td>250.96</td>
<td>218.54</td>
</tr>
<tr>
<td>Social policy</td>
<td>128.37</td>
<td>124.62</td>
<td>128.31</td>
<td>133.86</td>
<td>133.68</td>
<td>130.57</td>
<td>113.55</td>
</tr>
<tr>
<td>Fitness, sport, culture mass media</td>
<td>44.71</td>
<td>42.55</td>
<td>50.89</td>
<td>53.78</td>
<td>53.28</td>
<td>46.12</td>
<td>48.44</td>
</tr>
<tr>
<td>Total: Welfare branches expenditures in consolidated budget</td>
<td>555.53</td>
<td>562.24</td>
<td>636.24</td>
<td>699.35</td>
<td>704.32</td>
<td>637.28</td>
<td>577.11</td>
</tr>
<tr>
<td>Reference: Total consolidated budget revenues per inhabitant (nominated in Euro equivalent)</td>
<td>1259.51</td>
<td>1403.78</td>
<td>1557.67</td>
<td>1684.23</td>
<td>1706.12</td>
<td>1595.98</td>
<td>1330.73</td>
</tr>
</tbody>
</table>

Source: Own author’s calculations based on the Ministry of Finance of the Republic of Belarus reports

As displayed in the table 3, 555.53 euro per inhabitant in welfare sphere was spent in 2010, and in 2016 – 577.11 euro. In spite of a better result in 2014, the 2016 financial year can be characterized as a positive result in a social budgetary orientation, but insufficient in comparison with the EU countries. For example, the analysis of welfare branches in Poland shows that in 2013, from sub national budgets 910 Euros were used per inhabitant, and from the national budget - 385 Euros (Porawski, A). As a result, in the welfare sphere 1295 euro per inhabitant was used, that is much higher than similar indicators in Belarus during the analyzed period.

FINANCIAL EFFORTS IN WELFARE SPENDING

Government’s financial efforts and welfare security have become central issues recently. This aspect was explored by using the elasticity coefficient of
expenditures on welfare branches according to the total budget revenues\textsuperscript{35}. It has allowed defining a constancy degree in priorities of expenditure for the welfare sector purposes. Results of this research are shown in figure 4.

\textbf{35}El ex (rv) = ln(e2/e1)/ ln(r2/r1), where: El ex (rv) – Elasticity of welfare branch expenditures caused by the total budget revenues; e 1, e2 – expenditures at the moment of time t 1 and t 2, accordingly; r1, r2 – revenues at the moment of time t 1 and t 2, accordingly; \textit{ln} – consumer prices index. At an original interpretation of the elasticity coefficient there is a consumer price index. It is necessary for an adjustment on inflation. However, because this index is corrected both on formula numerator, and on denominator, it does not have impact on calculation result of the elasticity coefficient. It is possible to accept index 1.0 or to eliminate it from the calculations.
Our analysis shows that for this period governmental welfare policies both in the central and in the sub national budgets were inconsistent and often changeable. In the national budget, in 2010 all welfare expenditures had a high priority. However, in 2011 this policy failed, and then the situation got better in the following year, and in 2014 and 2015 it failed again. If we take an elasticity coefficient for welfare expenditures in the sub national budget revenues, then it is possible to find a different trend: cutbacks in 2010, 2011 and in 2013, but increase in 2012, 2014, and 2015.

The reason why the elasticity coefficients of welfare expenditures are different both at national level and sub national ones is that expenditure functions for these levels are different. For example, if we take education, the universities and higher educational institutions are funded by the national budget, while the primary and secondary schools, pre-schools by the rayon local budgets. In health care, the special medical centres are funded by the national budget and the regional one, while interregional hospitals are funded by oblast (local) budgets.

The analysis of these tables shows that for the analyzed period authority’s policy in the field of a welfare orientation both in national budget and in sub national ones were inconsistent and changeable. It is possible to see it in the dynamics of the elasticity coefficients of the consolidated budget and sub national or local budgets and their comparison. For example, if the
consolidated budget is considered, in 2010 priority emphasis on all welfare branches expenditures has been put. However, in fact the failure was a policy of the authorities in 2011 where no priority emphasis on one of the welfare branches was placed.

In 2012 the situation had been a bit better than in the previous year. All expenditures except social policy, had priority character. In 2013, no financing of social policy, fitness, sport, culture, and mass media has been given a priority orientation. In 2014 only priority funding of expenditures on health care had been done. On other welfare branches the expenditures hadn't been priorities.

If we consider an assessment of elasticity coefficients for welfare branches expenditures according to the sub national budgets revenues, then it is possible to find the same tendency of inconstancy, however with a certain asymmetry. For example, in 2010 all welfare branches expenditures, except fitness, sport, culture, and mass media had no priority in the local budgets, however in expenditures of the consolidated budget the reverse situation was observed. This comparison shows that expenditures on health care, education and social policy in the national/central budget had a priority. According to the analysis of 2011 and 2012, it is possible to make the greatest social orientation in welfare expenditures which has not taken place in local budgets, and in the national budget. Only in 2014 and 2015 it is possible to speak about a reverse situation when priority in the expenses of branches of welfare in local budgets took place in comparison to similar expenditures in the national or central budget.

DECLINING WELFARE SERVICE PERFORMANCE IN CONDITION OF RECESSION AND WAYS FOR IMPROVEMENT

Despite regular government promises to make budgets socially-focused, the welfare policy remains unstable. As our assessment proved, during the
last five years, the Belarusian governments’ efforts in welfare spending showed instability, frequent variations and inconsistency with the declared policy goals.

Due to the economic recession the government was not able to keep the share of welfare expenditures to GDP at the level of the last five years. Most of the welfare service indicators decreased. In health care, the number of hospitals was reduced from 657 to 636 between 2012 and 2015. There was a reduction of hospital beds from 106.6 thousand to 80.7 thousand. Instead, the outpatient treatment has been developed from 2,263 outpatient organizations (2012) to 2,352 (2015) (V Belarusi stalo menshe shkol i bolnits, 2016).

In the Belarusian education there was a similar situation. According to the official statistical data, the number of preschool educational establishments in the 2012/2013 academic year was 4,064, while in 2015/2016 their number was reduced to 3,951. However, in the same period the number of enrolled children increased from 398 thousand to 409.8 thousand. In 2012–2015, the number of the primary and secondary educational establishments reduced by 349 - from 3,579 to 3,230. Nevertheless, despite reduction of schools, the number of pupils has increased from 928.2 thousand pupils to 969.1 thousand. During previous four academic years in Belarus two universities were closed and now only 52 are functioning. The number of the students has decreased by 92 thousand, from 428.4 thousand to 336.4 thousand (V Belarusi stalo menshe shkol i bolnits, 2016).

In condition of recession Belarus is faced with challenges one of which is the need of capital investments in the welfare sector under the very limited opportunities of budgetary funding. Moreover, the tendency to decrease of budgetary funding is traced in recent years. It indicates the need to search new funding mechanism for welfare sector projects. One of them is funding mechanism by means of PPPs. It should improve the living standards of the
population and the maintenance of social standards level in comparison to last years. In Belarus currently only three PPP projects in the welfare sphere will be implemented (see table 4).

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>LOCATION</th>
<th>EXPECTED OUTCOMES</th>
<th>WORTH /INVESTMENTS</th>
<th>GOVERNMENT’S CONTRIBUTION</th>
<th>DURATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction of two preschool institutions</td>
<td>City of Minsk and Minsk region</td>
<td>Number of places in preschool institutions increased</td>
<td>25.7 USD MM*</td>
<td>Land</td>
<td>2017–2019</td>
</tr>
<tr>
<td>Reconstruction of a block of buildings of Grodno hospital No.3</td>
<td>City of Grodno</td>
<td>Number of beds in the institution increased, new technology procured</td>
<td>200.0 USD MM*</td>
<td>Land, infrastructure</td>
<td>2016–2019</td>
</tr>
<tr>
<td>Reconstruction of the museum, tourist and recreation complex</td>
<td>City of Brest</td>
<td>Tourism infrastructure improved</td>
<td>31.0 USD MM*</td>
<td>Land, infrastructure</td>
<td>2017–2020</td>
</tr>
</tbody>
</table>

*) preliminary data

Source: Author compiled, based on data of the Centre for Public Private Partnership under the Ministry of Economics of the Republic of Belarus/ http://kodeksy-by.com/o_gosudarstvenno-chastnom_partnerstve.htm

The table above characterizes the pilot projects only, which capture about 12 percent of the national infrastructure plan of the Republic of Belarus for 2016–2030. These figures give an essential optimism in welfare sector development by means of PPPs.

However, as the PPP pilot projects only started in 2014-2016, it is too early to provide any comment and results on them, but some preliminary analysis of successful factors and components may be done. Nevertheless, there are risks of failure for the PPP projects due to the deterioration of the investment climate in Belarus where foreign investments for 9 months in 2016
decreased by $2.4 \text{ bn. in comparison with the same period in 2015}\) (Investory, 2016). As studies show (Estache, 2010, p. 86), difficulties limit public finance in developed and developing countries as a result of lack in policy and legal framework reforms and the complexity of institutional and political characteristics of the public sector. This justifies the use of PPPs in Belarus as an alternative financing instrument that is appropriate for attracting the private sector in the financing of public infrastructure investment.

**CONCLUSIONS**

As has been shown, welfare sector in Belarus was not reformed since the disintegration of the Soviet Union. One of the main lines the Belarus' welfare policy is rooted into is represented by the governmental organizations. The Central government acts as the main subject of decision-making. The subjects represented by nongovernmental organisations having a certain innovative potential are seldom attracted as partners.

The analysis of national and sub national budgets with the use of elasticity coefficient for the last five years vividly showed that the policy proclaimed by the official authorities in welfare orientation area both in national budget and in sub national ones were inconsistent and changeable. In reality, in separate years the welfare branches had high priorities in budgetary funding and in other years the priority was insufficient and low.

A special alarm is caused by the welfare security level in time of current recession where GDP's welfare indicator tends to decrease. Already today reduction of medical institutions, hospital beds, and gradual replacement of hospitalization by out-patient treatment takes place. Similarly happens in the education sphere where the number of preschool and school educational institutions, despite growth of number of pupils, was reduced. The main reason of reductions in welfare branches is financial constraints both national and sub national budgets.
Nowadays, the State has no opportunity to completely perform its economic functions by means of traditional financing of welfare expenditures from the national and sub national budgets. Therefore, an alliance of public and private sectors in welfare sector funding is observed in Belarus. However, difficulties of limited public finance are a result of lack in policy and legal framework reforms and the complexity of institutional and political characteristics of the public sector.

REFERENCES


