

Up-to-date Documents on Local Autonomy in Japan No.4

15 Years of Decentralization Reform in Japan

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Foreword

The Council of Local Authorities for International Relations (CLAIR) and the National Graduate Institute for Policy Studies (GRIPS) have been working since 2005 on a “Project on the overseas dissemination of information on the local governance system of Japan and its operation”. On the basis of the recognition that the dissemination to overseas countries of information on the Japanese local governance system and its operation was insufficient, the objective of this project was defined as the pursuit of comparative studies on local governance by means of compiling in foreign languages materials on the Japanese local governance system and its implementation as well as by accumulating literature and reference materials on local governance in Japan and foreign countries.

In 2007, as a continuation of projects which were begun in 2005, we continued to compile “Statistics on Local Governance (Japanese/English)” and to conduct a search for literature and reference materials concerned with local governance in Japan and overseas to be stored in the Institute for Comparative Studies in Local Governance (COSLOG). We also compiled a “Glossary on Local Governance Used in Japanese Official Gazettes (Japanese/English) (FY 2007 Edition)”. In addition, continuing from the previous year, we finished compiling “Up-to-date Documents on Local Autonomy in Japan” on two themes and “Papers on the Local Governance System and its Implementation in Selected Fields in Japan”, for which we took up 6 themes.

This project is to be continued in 2008, and we aim to improve the materials so that they will be of real use and benefit to those who are working in the field of local governance.

If you have any comments, suggestions or inquiries regarding our project, please feel free to contact the Council of Local Authorities for International Relations (CLAIR) or the Institute for Comparative Studies in Local Governance (COSLOG) of the National Graduate Institute for Policy Studies (GRIPS).

March 2008

Michihiro Kayama
Chairman of the Board of Directors
Council of Local Authorities for International Relations (CLAIR)
Tatsuo Hatta
President
National Graduate Institute for Policy Studies

Preface

This booklet is one of the results of research activities conducted by the Institute for Comparative Studies in Local Governance (COSLOG) in 2007 as one part of a 5-year project that started in 2005 entitled “Project on the overseas dissemination of information on the local governance system of Japan and its operation”, sponsored by the Council of Local Authorities for International Relations (CLAIR). For the purpose of implementing this project, a “Research committee for the project on the overseas dissemination of information on the local governance system of Japan and its operation” has been set up, and a chief and deputy chiefs with responsibility for the project have been designated from among the members concerned with each research subject.

“Up-to-date Documents on Local Autonomy in Japan” (2007, Volumes 3-4) were written under the responsibility of the following two members:

(Chief)

Kiyotaka Yokomichi, Professor of the National Graduate Institute for Policy Studies

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Hiroshi Ikawa, Professor of the National Graduate Institute for Policy Studies

This booklet, the fourth volume in the series, was written on the subject of 15 years of decentralization reform in Japan.

Decentralization has been positively promoted in Japan since the early part of the 1990s. This booklet introduces the decentralization reforms of the last 15 years, covering the background, content, results, and outstanding issues.

We will continue to take up new topics, and add to the series.

Finally, I would like to express my appreciation to the members of the research committee for their expert opinions and advice.

March 2008

Hiroshi Ikawa

Chairperson

Research committee for the project on the overseas dissemination of information
on the local governance system of Japan and its operation

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15 Years of Decentralization Reform in Japan

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Introduction

Decentralization has been positively promoted in Japan since the early part of the 1990s. This paper will report and interpret 15 years of decentralization reform in Japan, covering the background, content, results, and outstanding issues. The composition of the paper is as follows:

Chapter 1 will provide an overview of the respective roles of central government and local governments in Japan and the relationship between them, and will comment on the main issues involved.

Chapter 2 will take up issues in the relationship between central government and local governments, and will set out the background to and the main events in the “First Stage of Decentralization Reform” that took place from the 1990s onwards.

Chapter 3 will comment on aspects of the content of the First Stage of Decentralization Reform, such as the abolition of the Agency Delegated Function System and a review of the pattern of intervention by central government.

Chapter 4 will set out the results of the First Stage of Decentralization Reform and comment on outstanding issues such as decentralization in the financial sphere.

Chapter 5 will look at the progress of the Trinity Reform in the years since 2000, and will set out subsequent trends in decentralization.

1 The role of local governments in Japan and their relationship with central government

1 – 1 The role of local governments (their function)

Japan has a two-tier system of local government, consisting of 47 prefectures and approximately 1800 municipalities (cities, towns and villages). Both municipalities, as the units of local government closest to the lives of residents, and prefectures, as local government bodies that cover a wider area than that of

municipalities, carry out a large number of different tasks.

Using figures from fiscal year 2005, the net aggregate expenditure figure for prefectures and municipalities combined was 89.4 trillion yen (excluding duplications), approximately 1.5 times that of the central government figure of 61.2 trillion yen. In other words, about 60% of the total expenditure of the Japanese government is used for the many tasks undertaken by local governments (Note 1).

If we look by item and objective at the expenditures of central government and local governments, putting aside expenditure on defense and pensions, the greater part of expenditure which is directly related to people's lives is carried out by local governments. The percentages for expenditure by local government in various areas are 94% for sanitation (public health and hygiene) expenses, 85% for school education expenses, and 79% for judicial, police and fire service expenses. In other administrative areas too, the greater part of the expenses are borne by local governments (Note 2).

The scale of expenditures by prefectures and by municipalities is almost the same. Table1 shows local government expenditures by objectives, with prefectures accounting for 48 trillion yen and municipalities for 49 trillion yen.

In addition to being responsible for establishing and managing senior high schools, prefectures are also responsible for the salaries of teachers at elementary and junior high schools established by municipalities. This is the reason for the high level of expenditure on education by prefectures. Moreover, because prefectures are responsible for fostering and developing commerce and industry as well as agriculture, forestry and fisheries, and carry out a large number of tasks in these areas, expenditures in these areas are large compared to those of municipalities.

On the other hand, municipalities carry out many tasks in such areas as the welfare of the elderly, child welfare, and livelihood protection. As a result, municipal expenditures on social welfare are nearly 3 times those of prefectures. Garbage collection and disposal is also basically carried out by municipalities, so that municipal expenditures on sanitation are high.

Prefectures carry out public works such as the construction of prefectural roads, the management of rivers, and large-scale city planning projects, and the expenditures for all these works are charged to the public works subhead. On the other hand, while municipalities do carry out public works such as the roads falling under their jurisdiction, the greater part of the public works budget is

taken up by city planning projects.

Table 1 Expenditures of Local Governments by Objective (Settlement)

(Unit : Million yen , %)

	FY2005					
	Prefectures		Municipalities		Net total	
Assembly	83,180	0.2	405,250	0.8	488,413	0.5
General administration	2,972,947	6.2	6,377,067	13.0	8,737,150	9.6
Social welfare	4,410,039	9.2	12,813,515	26.1	15,692,705	17.3
Sanitation	1,484,798	3.1	4,355,185	8.9	5,706,683	6.3
Labor administration	170,062	0.4	151,993	0.3	316,952	0.3
Agriculture, forestry and fisheries	3,030,616	6.3	1,485,115	3.0	3,978,316	4.4
Commerce and industry	3,055,462	6.4	1,612,229	3.3	4,625,954	5.1
Public works	7,172,313	15.0	7,491,880	15.3	14,417,368	15.9
Fire service	215,933	0.5	1,678,117	3.4	1,824,304	2.0
Police	3,317,750	6.9	-	-	3,317,578	3.7
Education	11,337,756	23.7	5,306,661	10.8	16,577,835	18.3
Disaster restoration	500,051	1.0	309,850	0.6	708,067	0.8
Debt service	7,249,656	15.1	6,805,020	13.9	13,963,540	15.4
Others	2,872,738	6.0	268,815	0.5	342,476	0.4
Total expenditures	47,873,301	100.0	49,060,696	100.0	90,697,342	100.0

(Note)

Source: Ministry of Internal Affairs and Communications ed.: "White Paper on Local Public Finance,

FY2007 Edition", National Printing Bureau, April, 2007.

It should also be noted that police administration is carried out by prefectures, while firefighting activities are carried out by municipalities.

As explained here, prefectures, as wide-area local government bodies, offer administrative services which it is difficult for municipalities to offer. On the other hand, municipalities are able to carry out a very wide range of tasks, centering on those services that are closely connected with people's daily lives. In international comparisons too, Japanese local governments carry out a wide diversity and large number of tasks and occupy a major role in people's lives.

1 – 2 The relationship between central government and local governments

A variety of configurations can be seen in the relationship between central government and local governments in different countries, reflecting their historical circumstances or geographical conditions. This relationship may take a centralized form, where the central government has a large amount of authority and financial resources, or a decentralized form, where authority and financial resources have been transferred in large measure to local governments.

As one factor in judging whether the relationship between central government and local governments has a decentralized or a centralized form, it is possible to cite the quantity of tasks or work implemented by local governments. In other words, it is possible to take the view that the greater the number of tasks that local governments undertake, the more decentralized the relationship is. From this perspective, as already explained, local governments in Japan carry out an extremely large number of tasks or administrative duties, meaning that the local government system in Japan can be evaluated as being very decentralized.

However, an evaluation from the perspective of how much independence from central government local governments have when implementing their administrative duties is also important. Even if there are a large number of tasks, if local governments cannot implement these in a way that is independent from central government, then it is difficult to speak of the relationship being "decentralized". From the perspective of the independence that local governments have when implementing their tasks or duties, it is possible to differentiate between a "separated pattern" and an "interfused pattern" of government.

The basis of a separated pattern of local government system is that central government does not carry out administrative intervention vis-à-vis a local

government, which for its part, is able to implement its duties independently. Central government is also able to carry out its duties by means of such devices as establishing outreach organs, so that duties are carried out (administrative services provided) at each level in a separated way.

On the other hand, a characteristic of a country with an interfused pattern of government is that a preset amount of authority is devolved to local government in a general fashion, so that it is still possible for the local government to carry out a wide range of duties. However, in reality, what very often happens is that central government retains a large amount of authority for itself, and duties are carried out by local governments as agents of central government. And in such a country, central government retains a large measure of control and intervenes in local government administration in respect of the duties to be carried out. It is fair to say that the relationship between central government and local governments in Japan, characterized for a long time by the existence of the “Agency Delegated Function System” also belonged to this interfused pattern of government.

It is clear that it is necessary to judge the degree of decentralization by using the dual criteria of the range (quantity) of the work to be implemented by local governments and by the degree of independence that local governments have when implementing their duties (work).

1 – 3 Central-local governmental relationship in Japan

After the Meiji Restoration, the Japanese government put great efforts into establishing a modern nation-state. It is in this context that Japan confirmed the establishment of a system of local autonomy (local administration) through such measures as establishing a system of cities and of towns and villages in 1888, and a system of prefectures in 1890. Under the Meiji Constitution, prefectures were local government bodies, and at the same time were local administrative organs of the central government; prefectural governors were appointed by central government and served as central government officials. Moreover, under the Agency Delegated Function System which existed at that time, the head of a municipality (city, town or village) implemented the duties of local government as an agent or organ of central government. In this kind of environment, extensive supervision and control of prefectures and of municipalities was carried out by the Minister of the Interior or by prefectural governors. Furthermore, while assemblies were established both in prefectures and municipalities, their role

was restricted. It follows that the system of local autonomy under the Meiji Constitution can be evaluated as a centralized system of local autonomy and local administration.

This kind of Japanese local autonomy system was greatly changed by a reform after the end of World War II, aiming at a decentralized, democratic system of local autonomous bodies. The main points of the reform that took place are as follows:

No. 1. Chapter 8 of the Constitution of Japan, dealing with local government, was newly added. Under the Meiji Constitution, there had been no articles dealing with local government, so as a result of the establishment of the new Constitution, Japanese local government was directly guaranteed by Articles 92 through 95.

No. 2. Governors of prefectures were to be directly elected in a public election instead of being appointed. Furthermore, under Article 93, the direct public election of the chief executive officers of local government bodies is also confirmed.

No. 3. Prefectural employees, who had previously been classified as national government officials, were reclassified as local government officials (exceptions were made for senior police officers and some others).

No. 4. As a result of these reforms (as listed in No. 2, No. 3 and elsewhere), prefectures changed from their prewar character of being local administrative organizations (organs) of central government to “completely local autonomous bodies” guaranteed under the new Constitution, and their independence was also guaranteed.

No. 5. The system of election of heads of municipalities (cities, towns and villages) was also changed from indirect election by assemblies to direct public election. Supervisory authority by prefectural governors over such matters as budgetary control, the dissolution of assemblies, and so on, was abolished or reduced.

No. 6. The centralized police administration system was reviewed, and local government (municipal) police authorities were created (subsequently, police administration was made a prefectural matter). Moreover, the system of firefighting activities was rearranged, and reform of the education system aimed at democratization and decentralization also took place.

Through these large-scale reforms, as set out here, the local government system of Japan has achieved great changes in the direction of a decentralized

system. However, the prewar centralized system is still partially maintained, and it is still possible to discern areas of relationships between central government and local governments that cannot necessarily be termed decentralized.

Specifically, the centralized character or characteristics that can be identified in Japanese local governments are as listed below.

No.1. Use of the Agency Delegated Function System. The use of the Agency Delegated Function System used in prewar days at municipal level, has come to be widely used at prefectural level since the war, in a context in which prefectures have become “completely local autonomous bodies”, and prefectural governors have ceased to be central government officials.

No.2. Supervision and control by central government vis-à-vis local governments is said to have decreased in comparison with prewar times, but when a lot of tasks (duties) are undertaken by local governments, controls and regulations are frequently exercised over these activities by means of individual laws, and many kinds of control and intervention procedures are carried out by means of communications (notifications) from central government ministries and agencies,.

No.3. A large measure of control and intervention by central government vis-à-vis the implementation by local governments of their duties is effected through the medium of financial procedures involved in central government disbursements, particularly national treasury subsidies and obligatory shares.

No.4. In a context in which the Agency Delegated Function System and control by central government continue to exist, the relationship between central government and local governments has come to assume a hierarchical, superior-subordinate form. Similarly, superior-subordinate characteristics can still also be seen in the relationship between prefectures and municipalities.

No.5. The dependent attitude of local governments in respect of such matters as directions, guidance, and financial help from central government, can also be said to have contributed to the continuance of a superior-subordinate relationship between central government and local governments.

2 Enactment of the Omnibus Decentralization Law – the background to decentralization reform

2 – 1 Issues in Japanese local government – the Agency Delegated Function System and the National Treasury Subsidy and Obligatory Share System

As shown above, in spite of the large-scale system reforms carried out after the war, the character and characteristics of a centralized system could still be found to a significant extent in Japanese local government. In this context, when the situation is viewed from the perspective of confirming local autonomy, a number of major issues have emerged, specifically a) the transfer of authority from central government to local governments, and b) the abolition or curtailment of control or intervention by central government vis-à-vis the affairs of local governments.

With regard to such issues, I would like to say a little more at this point about 2 problems which have attracted particularly strong criticism, namely the Agency Delegated Function System and the National Treasury Subsidy and Obligatory Share System.

On the Agency Delegated Function System, a) a central government minister or prefectural governor had comprehensive supervisory authority over the governor of a prefecture or the mayor of a municipality respectively, and b) the authority of local government was limited in that, for example, local governments were unable to establish their own bylaws, and local government assemblies had insufficient investigative authority. Furthermore, it was also pointed out that between 70% and 80% of the tasks carried out by prefectures, and between 30% and 40% of the tasks carried out by municipalities, fell within the purview of the Agency Delegated Function System (Note 3).

Within the above context, criticism of the Agency Delegated Function System was levied particularly in respect of the following points: a) because of it, relationships between central government and local governments were arranged in a hierarchical form; b) because of the detailed directions issued by central government, even if local residents had specific wishes, it was impossible to respond to these in a flexible manner; c) because each central government ministry and agency issued guidance and directions in its own special field, it was impossible to implement policy comprehensively; and d) policy could not be implemented on the basis of the actual situation of regions and localities.

On the other hand, in the financial sphere, the National Treasury Subsidy and Obligatory Share System also came in for a great deal of criticism because of the way in which it limited the freedom of local governments to formulate and implement policy.

Specifically, this system had merits in that it served to safeguard policies which were deemed necessary from a national perspective, but it had a number of

problems in that a) the uniformity of the subsidy conditions hindered the effective implementation of projects, b) projects with a relatively low priority for the local area were implemented, c) the procedures involved in delivering the subsidy were complicated, resulting in many associated costs being generated, and d) it hindered autonomous administrative and financial management that aimed to utilize local creativity. Given these criticisms, it was considered necessary for the system to be adjusted and rationalized.

Furthermore, as already mentioned, in a context in which local governments account for 60% of government expenditure, strengthening local finances is a major issue. Local taxes account for about one-third of gross local government expenditure and income, so advocates of decentralization emphasize that in order to secure a guarantee of autonomous financial management, it is necessary for central government to transfer tax revenue sources to local governments, and increase local tax revenue.

2 – 2 Enactment of the Decentralization Promotion Law

Since the Report of the Shoup Mission in 1949, many kinds of investigative commissions have produced reports, right up to the present day, pointing out the necessity of reforms to deal with the problems referred to above. For example, the recommendations of the Shoup Report includes ones recommending that local revenue sources be strengthened and the national treasury subsidy and obligatory share system be abolished or rationalized. In addition, in the 1980s, both the Second Provisional Commission for Administrative Reform and the Local Government System Research Council reported that the Agency Delegated Function System should be revised and rationalized.

In line with these proposals, a law concerned with revision and rationalization of the Agency Delegated Function System was enacted in 1986, and the system of a law suit that made it possible to remove from office the governor of a prefecture or the mayor of a municipality who did not implement the Agency Delegated Function was abolished in 1991. On the other hand, in the area of local finances too, various reforms were carried out, such as a) cutting national treasury subsidies and obligatory shares, and transferring the amount to general revenue sources such as local tax and local allocation tax, b) measures aimed at simplifying subsidy conditions, subsidy payment procedures and the like.

However, when looked at from the perspective of local government systems

as a whole, it is not necessarily possible to claim that these reforms have produced sufficient results. Since the end of World War II, the demands of those connected with local autonomy have been consistent in respect of the promotion of decentralization, but the road to the realization of the decentralization of administrative systems in ways such as the abolition of the Agency Delegated Function System has not been an easy one.

But that said, with the advent of the 1990s, the promotion of decentralization was taken up as a major policy issue in Japan. Against the background of slogans proclaiming “From government to private sector” and “From central government to local governments”, a broad consensus developed concerning the need for decentralization to go hand in hand with deregulation as an integral part of political and administrative reform. Within this kind of contextual environment, the promotion of decentralization began to gather support not simply from the people who were traditionally connected with local autonomy, but from a very wide range of people, including politicians, representatives of the economic world, and the mass media, so that it is fair to say that this movement was linked to the realization of large-scale decentralization reform.

In June 1993, resolutions about the promotion of decentralization were made in the National Diet. As the first resolutions on the promotion of decentralization to be passed by both Houses of the Diet, this can be seen as having great significance for the subsequent First Stage of Decentralization Reform. In October 1993, the government council on administrative reform (the Provisional Council for the Promotion of Administrative Reform (the Third PCPAR)) reported with suggestions concerning the promotion of decentralization. In December 1994, on the basis of this report, a cabinet decision endorsed the “Fundamental Principle for Promoting Decentralization”, setting the stage for the enactment of a law on the promotion of decentralization.

On the basis of this cabinet decision, the “Decentralization Promotion Law”, setting out the basic concepts of decentralization, came into force in July 1995. By means of this law, the basic ideas and directions of decentralization were laid down, and at the same time, provisions were established for the promotion of “Decentralization Promotion Plan” and the formation of “Decentralization Promotion Committee” (for details of the progress of decentralization, see Table 2).

Table 2 Process of Decentralization Reform

June, 1993	Resolutions about the promotion of decentralization were made (in both the House of Representatives and House of Councilors).
October	Report of the "Provisional Council for the Promotion of Administrative Reform (Third PCPAR)".
December, 1994	"Fundamental Principle for Promoting Decentralization" was adopted at the Cabinet meeting.
July, 1995	Decentralization Promotion Law was executed and the Decentralization Promotion Committee was inaugurated.
March, 1996	Interim report from the Decentralization Promotion Committee was published.
December, 1996 ~October, 1997	Decentralization Promoting Committee submitted the First-Fourth Recommendations.
May, 1998	"Decentralization Promotion Plan" was endorsed by a Cabinet decision.
March, 1999	Omnibus Decentralization Law was brought to the Diet.
July	Omnibus Decentralization Law was enacted.
April, 2000	Omnibus Decentralization Law came into force.
June, 2001	Final report from the Decentralization Promotion Committee was published. "Basic policies for economic and fiscal management and structural reform of economic society (Basic policies for 2001)" was endorsed by a Cabinet decision.
July	Council for Decentralization Reform was inaugurated.
May, 2002	"Structural reform of local public finance and transfer of tax revenue sources" (Katayama draft policy) was published.
June	"Basic policies for economic and fiscal management and structural reform 2002 (Basic policies for 2002)" was endorsed by a Cabinet decision (Reform promoted by the trinity method was decided for the first time.).
October	"Opinions about the ideal state of clerical works and projects" was reported by Council for Decentralization Reform.
June, 2003	"Basic policies for 2003 " was endorsed by a Cabinet decision (4 trillion yen of subsidy and obligatory share reform was decided.).
June, 2004	"Basic policies for 2004" was endorsed by a Cabinet decision (Local governments were requested to prepare specific reform plans aiming to achieve a 3 trillion yen transfer of tax revenue sources.).
August	A reform plan by the six associations of local governments was proposed to the government.
September	Conference of central and local government on trinity reform was inaugurated.
November	The government and ruling parties came to an agreement over "Trinity reform."
June, 2005	"Basic policies for 2005" was endorsed by a Cabinet decision (decisions were taken on activities to ensure a steady implementation of the trinity reform by fiscal year of 2006.).
November	The government and ruling parties came to an agreement on "Trinity reform."
July, 2006	"Basic policies for 2006" was endorsed by a Cabinet decision.
December	Promotion of Decentralization Reform Law was enacted.
April, 2007	Promotion of Decentralization Reform Law came into force.
June	Local Financial Reconstruction Law was enacted. "Basic policies for 2007" was endorsed by a Cabinet decision.

2 – 3 Enactment of the Omnibus Decentralization Law

On the basis of the Decentralization Promotion Law, the Decentralization Promotion Committee, composed of 7 members, was established in July 1995. The committee carried out its investigations and deliberations energetically, and issued an interim report on the promotion of decentralization in March 1996. Following this, from December 1996 to October 1997, the committee submitted 4 recommendations to the Prime Minister, suggesting such measures as the abolition of the Agency Delegated Function System.

Why was decentralization considered necessary in Japan? As reasons to answer this question, the following points are made in the interim report of the Decentralization Promotion Committee.

1) A centralized administrative system, which put weight on uniformity and efficiency, was effective when the country was in a catch-up mode, but was suffering from system fatigue, and was not appropriate for the circumstances and issues of a new age.

2) In order to respond to a dynamic international society, it is necessary to promote decentralization and to clarify the role of central government.

3) Decentralization is also indispensable to correct the excessive concentration on Tokyo and in order to apportion national land in a multi-polar, distributed manner.

4) The promotion of decentralization and the strengthening of decision-making powers on the part of local society are things that need to be carried out in order to form a local society that is rich in individuality.

5) Putting emphasis on the creativity of municipalities (cities, towns and villages), promoting decentralization, and encouraging a comprehensive approach to administration and cooperation between the public and private sectors are necessary in order to respond to the demands of a society characterized by an aging population and a falling birthrate.

This same interim report, on the basis of the reasons listed above, indicated the necessity of a change from a centralized to a decentralized system of administration. And in order for local governments to be able to manage their affairs efficiently and effectively, and to respond to the issues of local societies, it was necessary, while promoting decentralization, for the relationship between central government and local governments to change from a “superior / subordinate relationship of dependency” to a “relationship based on equality and cooperation”.

On the basis of the report issued by the Decentralization Promotion Committee, the government took a cabinet decision in May 1998 to formulate the Decentralization Promotion Plan, and in March 1999, submitted to the National Diet “Law on the Amendments of Related Laws to Promote Decentralization” (the Omnibus Decentralization Law).

The Omnibus Decentralization Law was enacted in July 1999, and was implemented on April 1, 2000. The major issues addressed by this law were as follows: a) abolition of the Agency Delegated Function System, b) a review of control and intervention by central government in the affairs of local governments, c) clarification of the roles that should be adopted by central government and local governments respectively, d) transfer of authority to local governments, and e) a review of obligatory regulations on organizations of local governments. In ways such as these, the law signaled a large-scale reform aimed at the expansion of local autonomy.

3 The content of the First Stage of Decentralization Reform

The Omnibus Decentralization Law was an extremely large-scale law which revised more than 450 separate laws. The main points of the revisions are listed below.

3 – 1 Abolition of the Agency Delegated Function System

Firstly, the Agency Delegated Function System, which had been the target of much criticism, was abolished. As explained above, strong criticism was levied at the way in which this system muddled the division of roles between central government and local governments, and as a result of the control and intervention carried out by means of communications from central government, acted as a major restriction on the autonomy of the policy formulation and implementation process of local governments.

Through the abolition of the Agency Delegated Function System, more than 350 separate laws were revised, with the revisions being divided into 3 categories, namely the disappearance of the task concerned, a change to direct implementation by central government, and implementation of the tasks concerned by local governments as they had done in the past. The greater part of the functions that fell under the previous Agency Delegated Functions System were to be carried out by local governments, and they were differentiated into self-governing functions and statutorily entrusted functions. A slight difference

could be perceived in the system of intervention (control) by central government, such as the execution system by central government in respect of statutorily entrusted functions. However, as seen, for example, in the way in which both functions were located within the purview of local governments (categorized as the work of local governments) and were made the object of bylaws, or in the fact that the system of comprehensive supervision that existed under the Agency Delegated Function System was abolished, the autonomy and independence of local governments was greatly enhanced.

3 – 2 A review of control and intervention by central government

Secondly, the system of intervention (control) by central government in the affairs of local governments was reviewed. Most importantly, the comprehensive supervisory authority of central government that had accompanied the Agency Delegated Function System was abolished.

Furthermore, the provisions concerned with the principles (rules) and procedures of intervention were established afresh in the Local Autonomy Law. Specifically, the following points were established: a) the fundamental principle of intervention by central government was that it should be reduced to the absolute necessary minimum, and b) in order to guarantee fairness and transparency in the matter of intervention, provisions concerning intervention criteria, such as the establishment of criteria for the delivery of documents or for requesting permission or giving approval, and the establishment of standard periods of time for dealing with matters were specified afresh in the Local Autonomy Law. Furthermore, a committee for the settlement of disputes between central government and local governments concerning intervention was stipulated in the Local Autonomy Law and was newly established.

In accordance with these principles and rules stipulated in the Local Autonomy Law, more than 100 laws were revised with the aim of abolishing of curtailing intervention (control). For example, the system of having to seek the approval of the Minister of Education for the appointment of the superintendent of a board of education was abolished. And with regard to the system of seeking approval for the issuing of local bonds, the system of requiring permission by the Minister of Home Affairs in order to make it possible for local bonds to be issued was revised to the effect that such permission was not necessarily required. In addition, the required mechanism at the time of the creation of non-statutory ordinary taxes by local governments was revised from the existing system of

granting permission to one of consultation requiring mutual agreement.

3 – 3 Clarification of respective roles

Thirdly, provisions concerned with the respective roles of central government and local government and with the consideration taken by central government have been stipulated (Article 1-2), and the roles to be carried out by central government and local governments respectively have been clarified. Specifically, it is stipulated that local governments “will undertake a wide role, implementing in an autonomous and comprehensive way the administration of local areas”, while central government “will share an appropriate role with local governments” and at the same time, “must ensure that the autonomy and independence of local governments can be sufficiently displayed”. Furthermore, the “principles of legislation” and the “principles of interpretation and operation”, which state that the framing as well as the interpretation of laws and government ordinances (cabinet orders) must be based on an appropriate division of responsibilities between central government and local governments, are also set out in the Local Autonomy Law (Article 2). It is anticipated that the existence of provisions of this kind in the Local Autonomy Law will be linked to an expansion of the degree of freedom in establishing bylaws by means of new legislation oriented toward decentralization or by the interpretation of existing legislation and government ordinances concerned with decentralization.

3 – 4 Transfer of authority to local governments

In the fourth place, the transfer of authority to prefectures and to municipalities has been taken forward. It is fair to say that the focal point of the First Stage of Decentralization Reform can be found in the way in which, by means of such measures as the abolition of the Agency Delegated Function System and the review of intervention (control) by central government, the relationship between central government and local governments was changed from a superior / subordinate relationship to one of equality and cooperation.

However, when we adopt the perspective of decentralization, we see that the transfer of authority to local governments is also a very important issue; in the Omnibus Decentralization Law, 35 laws, including the Forestry Law, the City Planning Law, and the Child Rearing Allowance Law, were revised, and the transfer of authority was implemented. For example, through the revision of the Forestry Law, authority to designate as protected forests or to remove that

designation in respect of forests in private ownership was transferred from central government to prefectures, and through the revision of the Child Rearing Allowance Law, the authority to approve the right to receive child support allowances was transferred from prefectures to municipalities. As shown here, there are cases where authority was transferred from central government to prefectures, but the number of cases where authority was transferred from prefectures to municipalities is by no means small.

3 – 5 A review of obligatory regulations

In the fifth place, regulations that made it obligatory to establish posts or organizations were also looked at afresh. There is merit in establishing such obligatory laws in terms of maintaining the level of administration, but there is a problem in that this inhibits the autonomous right of local governments to establish organizations freely. A further problem is that it has a detrimental influence on efficient and comprehensive administration. Against this background, 38 laws were revised in the Omnibus Decentralization Law, including a law concerned with agricultural committees and a law concerned with libraries, and regulations which attached obligations to the establishment of organizations or posts, or to titles and qualifications were either abolished or attenuated. For example, through the revision of the law concerned with agricultural committees, the regulation which entailed the obligatory attachment of an agricultural manager to an agricultural committee was abolished.

3 – 6 Provision and confirmation of other administrative systems

In addition to the above, legal reforms were also implemented from the point of view of putting in place and confirming local government administrative systems. Most importantly, within the framework of the Omnibus Decentralization Law, with a view to promoting the autonomous mergers of municipalities, revisions were made to the special provisions of The Law for Exceptional Measures on Municipal Mergers (Municipal Merger Law) in such ways as strengthening the system of motions from local residents, and strengthening the system of financial support. And with regard to local assemblies, through revisions to the Local Autonomy Law, aimed at making assemblies more lively and vigorous places, the conditions for introducing bills and for proposing revisions were relaxed. At the same time, the system of a set number of assembly members, which took the form of deciding the number of

members through bylaws established, within the limits of the law, in each local government, was looked at afresh. Also, in addition to the existing system of large cities (ordinance-designated cities) and core cities, a system of specially designated cities was created. Cities with a population exceeding 200,000 were so designated, and were given more authority than general cities.

With regard also to the relationship between prefectures and municipalities, their respective roles were clarified in line with their characteristics, with the aim of trying to construct relationships based on equality and cooperation. For example, the system of categorization of duties known as “unified functions”, which were applied to every prefecture, was abolished, and the provision concerned with bylaws of prefectures imposing regulated duties on municipalities was also abolished. Furthermore, with the aim of strengthening the duties and the authority of municipalities, a new system was created whereby under prefectural bylaws, municipalities were left to dispose of part of the duties of prefectures.

4 Results of the First Stage of Decentralization Reform and outstanding issues

4 – 1 Evaluation and results of reforms

4 – 1 – 1 Evaluation of the reforms

Looking as a whole at the First Stage of Decentralization Reform as outlined above, given the aim of realizing equality between central government and local governments, decentralization did make considerable progress and was highly evaluated.

The first reason for the positive evaluation can be found in the abolition of the Agency Delegated Function System. Against the background of a lack of progress in radical reform, despite many criticisms being levied against this system, when it was abolished by means of the First Stage of Decentralization Reform, the greater part of the functions that fell under this system were made the responsibility of local governments. There was also positive evaluation of the way in which the authority of local governments had expanded in such ways as the ability to establish bylaws in respect of these functions.

The second reason can be found in the clarification of the division of roles between central government and local governments, in the course of which the administration of matters close to the everyday lives of residents was entrusted

as far as possible to local governments. In addition, a welcome was given to the fact that regulations concerned with the central government “principles of legislation” as well as with the “principles of interpretation and operation”, both based on an appropriate division of roles between central government and local governments, have been newly established in the Local Autonomy Law, and to the restrictions placed on the “density of regulations” resulting from laws and government ordinances, and the expansion of the freedom of local governments to enact bylaws.

For the third reason, we can look to the establishment in the Local Autonomy Law of the principles (rules) relating to intervention (control); a positive evaluation was made of the restrictions placed on the pattern of intervention by central government and of the expansion of the discretionary powers of local governments. In particular, the way in which the fairness and transparency of intervention was guaranteed by setting procedural regulations in place was highly evaluated.

4 – 1 – 2 The results of reform

Within the context of decentralization reform being promoted as described here, changes can be discerned in the administrative management and policy formulation carried out by local governments.

For example, if we take the expansion of the scope of bylaws established by local governments, efforts were made in many local governments to strengthen their legal capacity, and at the same time, a system such as providing legal assistance through organizational alliances between municipalities was taken forward. In addition, in the context of severe financial circumstances, financial and administrative reforms of local governments aimed at more efficient administrative and financial operations were taken forward, and measures to review and formulate policies based on the actual conditions of each locality were undertaken in a very positive spirit. Against the above background, policy implementation that utilized the autonomous taxation powers of local governments, such as newly established non-statutory special purpose taxes, attracted much attention.

In the same way as in the past, even after the First Stage of Decentralization Reform, examples of an attitude of dependency on central government on the side of local governments, remained discernible. Furthermore, on the side of central government too, responses that were rooted in the former superior / subordinate

culture could still be identified. But that said, it can be fairly assumed that changes that were clearly oriented in the direction of a more equal relationship between both sides did come about through the implementation of the First Stage of Decentralization Reform.

Furthermore, it was not just a question of changes in individual local governments; the entire system of local government was energetically reviewed. Even after the enactment of the Omnibus Decentralization Law in 1999, revisions of the Local Autonomy Law were undertaken almost every year. Through these revisions, specifically by such measures as the revision of a system to enable law suits by residents, or the abolition of posts such as the chief accountant or the treasurer, the number of items that had a great impact on the administrative and financial operations of local governments was by no means insignificant. Moreover, as mergers of municipalities progressed, the introduction of a regional government system became an issue to be examined and debated.

It is fair to say that with decentralization as a trigger, the whole system of local government in Japan, after passing through a period of 50 years after the postwar reforms, once again entered a period of change and review.

4 – 2 Outstanding issues

4 – 2 – 1 Strengthening the autonomy of residents

The First Stage of Decentralization Reform was highly evaluated in terms of strengthening local autonomy (organizational autonomy) in the framework of the relationship between central government and local governments. However, the evaluation of citizen autonomy, which is another important aspect of local autonomy, was not necessarily high. Municipalities in Japan expanded in size through the Great Meiji Consolidation and the Great Showa Consolidation. Furthermore, in the context of severe financial circumstances, it has become very important to carry out local management with the cooperation of residents.

In this situation, guaranteeing and securing the participation of citizens in local government and local administration has become a major issue. However, in the First Stage of Decentralization Reform, apart from strengthening, through a revision of the Municipal Merger Law, the system whereby residents can make proposals, it is not possible to find much material concerned with an expansion of the autonomy of residents.

Furthermore, from the latter half of the 1990s, the Great Heisei Consolidation was being taken forward, with the result that the number of

municipalities greatly decreased, from about 3,230 in 1995 to about 1,800 in 2007. Looking at the size of municipalities, these figures mean that each unit (=each city, town or village) accounted on average for about 70,000 people, a large figure even within international comparisons, and it is fair to say that the demand for a strengthening of citizen autonomy has become stronger.

In this kind of context, as a result of the revision in 2004 of the Local Autonomy Law and the enactment in the same year of the new Municipal Merger Law, a system of “community autonomy wards” and “special wards of merged municipalities”, as autonomous organizations much closer to the daily lives of citizens, was newly created, but strengthening local management by means of citizen participation, in other words, strengthening the autonomy of residents, remains a major issue in local government in Japan.

4 – 2 – 2 The financial aspect of decentralization

Also rather difficult to evaluate is the financial aspect of decentralization. In the First Stage of Decentralization Reform, too, as well as taking a fresh look at the system of granting permission for local bonds to be issued, various reforms were implemented, such as the creation of non-statutory special purpose taxes and relaxation of the system of granting permission for non-statutory ordinary taxes, and these various measures did have a certain effect (result). However, there were many who felt that the national treasury subsidy and obligatory share system, which constituted the biggest issue in local financial system reform, was insufficiently reformed.

This national treasury subsidy and obligatory share system was strongly criticized as hindering the autonomy and independence of local policies, and as obstructing efficient and effective local management, and it was reviewed to a certain extent in the First Stage of Decentralization Reform. However, there was strong criticism to the effect that the review was not sufficient to guarantee the independence of local government, and reform did not go as far as achieving a radical solution to the problem.

Moreover, there is also a big debate about strengthening local taxes. In the light of the large expenditures by local governments, local tax revenue is inadequate. In this situation, in which there is a large gap separating the two sides, it is emphasized that it is necessary, in order to guarantee independent financial management in local government, to implement the transfer of tax revenue from central government to local governments and to increase the size of

local tax revenue.

The issues related to the national treasury subsidy and obligatory share system can be said to be a barrier that has been formed because the First Stage of Decentralization Reform was carried out within a framework that did not make radical changes in the political system. Furthermore, given the rule that cabinet decisions must be made with unanimous agreement, a limitation is imposed by the need to obtain the approval of all government ministries and agencies (consensus). Against this background, the First Stage of Decentralization Reform, implemented within the context of an awareness of what was realistically possible, can be evaluated as constituting an important base for further decentralization reforms in the future, but at the same time it is true to say that the results of these reforms were limited in their size and scope.

5 Decentralization after the first stage

5 – 1 Radical local financial reform (the Trinity Reform)

5 – 1 – 1 The progress of the reform

Radical local financial reform, which can be identified as an “outstanding issue” in the context of the promotion of decentralization, was implemented in the shape of the Trinity Reform.

In June 2001, shortly after its formation in April 2001, the Koizumi Cabinet announced its “Basic policies for future economic and financial management and structural reform of economic society”, and within this context decided that “the national treasury subsidy and obligatory share system shall be rationalized and the local allocation tax shall be reexamined, and at the same time, the allocation of tax sources between central government and local governments, including the transfer of tax sources, shall be reexamined from the standpoint of basic principles”. (See Table 2).

In May 2002, Mr. Katayama, Minister of Internal Affairs and Communications at that time, prioritized the rationalization of 550 billion yen of national treasury disbursements and its transfer to local tax revenue, and further proposed that by means of a transfer of local allocation tax to local taxes on the basis of a reform of local financial revenue and expenditure, a ration of 1 to 1 between national and local taxes should be achieved (the Trinity Reform).

Furthermore, in June 2002, a cabinet decision endorsed “Basic policies for economic and fiscal management and structural reform 2002”, in which the

government's aim was stated as being "to examine national treasury subsidies and obligatory shares, local allocation tax, and the tax revenue allocation including the transfer of tax revenue sources by the trinity method (simultaneously), and to prepare a reform proposal, including the most desirable outcome and a specific reform schedule for achieving this, within the space of one year".

Subsequently too, in the context of "Basic policies for economic and fiscal management and structural reform", endorsed every year as a cabinet decision, the direction of "Trinity Reform" was set out as being to undertake a unified reform of national treasury subsidies and obligatory shares, local allocation tax and tax revenue transfer. Furthermore, with regard to the major problem that arose in the form of opposing opinions by government ministries and agencies to such matters as the abolition of the national treasury obligatory share of compulsory education expenses, a process of adjustment was undertaken in the form of discussions with the government ruling parties. The result of this was that in November 2004 and November 2005, an agreement on "Trinity Reform" was realized between the government and the ruling parties.

It was in this context that in every fiscal year from 2003 to 2006, Trinity Reform and annual central government budget compilations were decided and implemented by reference to these basic policies and to the agreement between the government and the ruling parties.

5 – 1 – 2 The results of reform

The results of local fiscal reform (Trinity Reform) up to fiscal year 2006 can be listed as follows.

Firstly, with regard to national treasury subsidies and obligatory shares, the sum of 4.7 trillion yen was abolished or converted to grants (simplifying the condition) between fiscal 2004 and 2006. If we include the reform implemented in the budget for fiscal 2003, the total sum for national treasury subsidy reform amounts to 5.2 trillion yen. This is in excess of 40% of the national treasury subsidies and obligatory shares at the time of fiscal 2003 (the local public finance program base) (Note 4) .

The tax revenue transfer from central government to local governments amounted to about 3 trillion yen.

With regard to local allocation tax, the total amount of substantial local allocation tax, including the extraordinary financial measures loan, showed a

large decrease from 23.9 trillion yen in the fiscal 2003 budget, at the start of the Trinity Reform, to 18.8 trillion yen in the fiscal 2006 budget, i.e. a reduction of 5.1 trillion yen (21.3%). This figure shows the influence of an increase in tax revenues during the period in question, but it is reasonable to think that there was a very significant influence from the greatly reduced scale of revenue and expenditure in the local public finance program, which aimed at reducing local government expenditure in order to achieve sound fiscal administration. (The scale of the local public finance program in fiscal 2006, which at 83.2 trillion yen showed a reduction of 3 trillion yen from the figure of 86.2 trillion yen in fiscal 2003, showed an overall reduction of 6.1 trillion yen compared to the figure of 89.3 trillion yen for fiscal 2001)(Note 5).

Further points with regard to local allocation tax are that the method of calculating this tax, criticized as being overly complicated, has been simplified, the number of local governments to which no local allocation tax is granted (non-granted bodies) has increased, and the calculation method has been revised with the aim of providing an incentive for administrative and financial reform.

5 – 1 – 3 Evaluation of the reform

The local financial reform (Trinity Reform) was positively evaluated for achieving the transfer of 3 trillion yen of tax revenue sources to local governments, and for establishing a forum for cooperation between central government and local governments.

However, there was strong criticism of the fact that the reform plan of the 6 associations of local governments formulated on the basis of a request from central government was not respected, and that the reform of national treasury subsidies and obligatory shares did not contribute enough to an expansion of the autonomy and independence of local governments. As can be seen in the reduction of national treasury subsidy (share) levels such as a reduction brought about by a revision of the national treasury obligatory share of compulsory school education expenses, there was no increase in the level of autonomy in the formulation and implementation of local government policies. On the contrary, there is a fear that general revenue source obligations incurred by local governments in the course of the implementation of subsidy-aided projects has increased, and that the autonomy and independence of local government administrative management has decreased.

Furthermore, in the context of implementation of the Trinity Reform, the

scale of the local public finance program decreased for 5 successive years from a peak in fiscal 2001. Accompanying this trend, in a context in which the total amount of substantial local allocation tax was greatly compressed, strong criticism was raised as to a) the difficulties that had arisen for local governments in implementing administrative and financial management and policies, and b) the possibility that fiscal reconstruction had been given priority over decentralization. For these reasons, it cannot be said that the evaluation of the Trinity Reform by those connected with local government was necessarily high. (For further details of the process, content and evaluation of the Trinity Reform, please refer to “Recent Local Financial System Reform (Trinity Reform)” by Hiroshi Ikawa.)

5 – 2 Subsequent decentralization reforms

5 – 2 – 1 Enactment of the Decentralization Reform Promotion Law

In July 2006, the round-table conference established by former Minister of Internal Affairs and Communications Takenaka proposed to submit to the Diet within 3 years the draft of a “New Omnibus Decentralization Law”. Moreover, the 6 associations of local governments also requested the enactment of a “New Decentralization Promotion Law” aimed at still further promotion of decentralization. Against this background, the “Decentralization Reform Promotion Law”, which contained stipulations relating to such matters as the basic ideas of decentralization reform, the establishment of committees, and so on, was presented to the Diet in October 2006, and adopted in December of the same year.

In this law, the basic direction of decentralization is set out in terms of the following points: a) the transfer of authority to local governments; b) rationalization of the imposition of duties on local governments and of intervention by central government; c) examination of matters related to the financial system, such as the national treasury subsidy and obligatory share system, local allocation tax, and the distribution of tax revenue sources between central government and local governments; and d) establishing and consolidating local government administrative systems such as designing them to strengthen citizen autonomy.

These various points can be thought of as points that were still outstanding after the reforms to date, including the First Stage of Decentralization Reform. Decentralization was certainly promoted in the reforms, but as a result of large

numbers of laws and government ordinances, many obligations were imposed on local governments and implementation methods were controlled, so that a barrier to local government autonomy was created. In this kind of context, there was a need to bring order and rationalization to the controls on local government resulting from the laws and ordinances referred to here.

In addition, as already pointed out, in a context in which it cannot be said that decentralization in the financial sphere has necessarily been sufficiently realized, it is vitally important, with a view to constructing a local financial system in which autonomy can be made sufficiently visible and explicit, to promote examination of the future pattern of local finances. On that occasion, against the background of the severe evaluation of the Trinity Reform that has already been noted, a major issue will be that of how to realize national treasury subsidy and obligatory share reform in a way that will make a real contribution to decentralization. Moreover, with regard to local allocation tax, given the large disparities in financial power among local governments, it is necessary not only to consider “competition” among local governments, but also to discuss and pay sufficient attention to the need for “equality” and “fairness” in local government policies.

Furthermore, with regard to the strengthening of citizen autonomy, this has not been promoted particularly strongly in reforms to date. In this situation, making positive efforts to take decentralization forward by such means as breathing new life into local communities, encouraging citizen participation and implementing collaboration with local citizens, is essential in the context of strengthening local autonomy in Japan and promoting decentralization.

It is necessary to give sufficient consideration, in the context of the enactment of the Decentralization Reform Promotion Law, to the questions of how from now on decentralization can be taken forward and how the expansion of autonomy and independence in local governments can be achieved.

5 – 2 – 2 The promotion of decentralization and disparities between local areas.

Given the present critical financial situation, the restoration of a healthy financial state is a vitally important issue for both central government and local governments. It is within this context that emphasis has been put on the vitally important issue of financial reconstruction, and that on the other hand, criticisms have been made to the effect that financial reconstruction has been given a higher priority than decentralization in the context of the Trinity Reform.

However, in order to carry out effectively the policies that are really necessary for local citizens on the basis of the actual situation of local communities, autonomy and independence in local government administrative and financial management are indispensable. If we also consider the perspective of ensuring citizen participation and promoting efficient local government management, it is important to take decentralization forward in terms both of the local government administrative system and of the local government financial system.

In this situation, it is necessary to implement an examination of the kind of issues taken up in the basic directions of the Decentralization Reform Promotion Law, and to aim at the promotion of decentralization.

It will be important on that occasion to raise the level of autonomy in local governments, and at the same time as doing this, to clarify the responsibility that local governments must take for themselves. From this perspective, it is important that positive efforts are made by local governments to provide financial information to citizens, and in this respect, the new Local Financial Reconstruction Law (enacted in June 2007) can be highly evaluated in terms of requiring consolidation of financial indicators and disclosure of financial information.

But that said, large disparities can be seen in terms of financial and economic power among local governments, and problems can be identified in terms of the responsibility and efforts that local governments take and make for themselves. In a situation in which a difference of about 3 times can be found in the per capita tax yield among prefectures, guaranteeing fiscal revenue for local governments that are financially weak is a major issue.

In this situation, the form that local allocation tax should take is one important issue. Opinions have been expressed by the Ministry of Finance and other sources to the effect that there is a need a) to reduce the overall amount of the local allocation tax, and b) to re-examine the function of the local allocation tax in terms of providing a guarantee of a revenue source. In rebuttal, those connected with local governments have argued strongly that a) local governments have already made very severe reductions in expenditures, and there is no further room for maneuvers in local finances, and b) in a context in which there are large financial disparities, necessary revenue sources must be guaranteed. In this situation, in which large financial disparities exist among local governments, a major issue is how to take decentralization forward within a

framework in which each local government body is guaranteed the financial revenue that it requires.

Conclusion

From now on, local governments must take decentralization forward while implementing administrative and financial management that pays due attention to the points below.

Firstly, it is important that local governments utilize to the full the results of decentralization reforms. With this point in mind, the training of human resources is particularly important. In a severe financial situation, even when the importance of training human resources is pointed out, there are more than just a few cases in which in practice the importance of human resource training is treated lightly, as when the training budget is squeezed. When we think of the administrative and financial management of local government from a long-term perspective, it is necessary to put more effort into training human resources.

Secondly, it is necessary to obtain the understanding of local citizens in promoting decentralization. With this point in mind, it is essential that local governments present the results of decentralization to local people in an easily understandable way, and obtain their support. In order to establish confidence in local governments, it is important to make positive efforts to provide to residents and make public administrative and financial information on such matters as the state of implementation of local government policies and the government's financial situation. In addition, it is important to promote cooperation with local residents by increasing opportunities to listen to their views and encourage their participation. This can be thought of as making efforts to strengthen citizen autonomy.

The relationships between central government and local governments take a variety of different forms in different countries, depending on the historical, social, economic and geographical conditions of those countries. It follows that the promotion of decentralization is not necessarily a good thing to do in all circumstances. There is a problem in that by expanding the authority of local governments or their financial resources to an excessive degree, the unity of the nation-state may be obstructed and the disparity between different regions may be widened.

But that said, in the case of Japan, in the context of a tradition of centralized

governance that has been handed down ever since the Meiji era, it is reasonable to take the view that efforts should continue to be made to take decentralization a little further along the road.

As a result of the First Stage of Decentralization Reform, the independence of local governments has been enhanced vis-à-vis central government, but from the perspective of strengthening the autonomy of local residents, efforts are still far from satisfactory. Problems also continue to exist in terms of such matters as control of local government administrative and financial management by means of laws and government ordinances. Furthermore, in the area of local financial reform, it cannot be claimed that autonomy and independence in the local government financial sphere have been satisfactorily achieved. In this kind of situation in Japan, it is fair to say that there is a need to put still more effort into constructing a decentralized local government system.

(Notes)

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