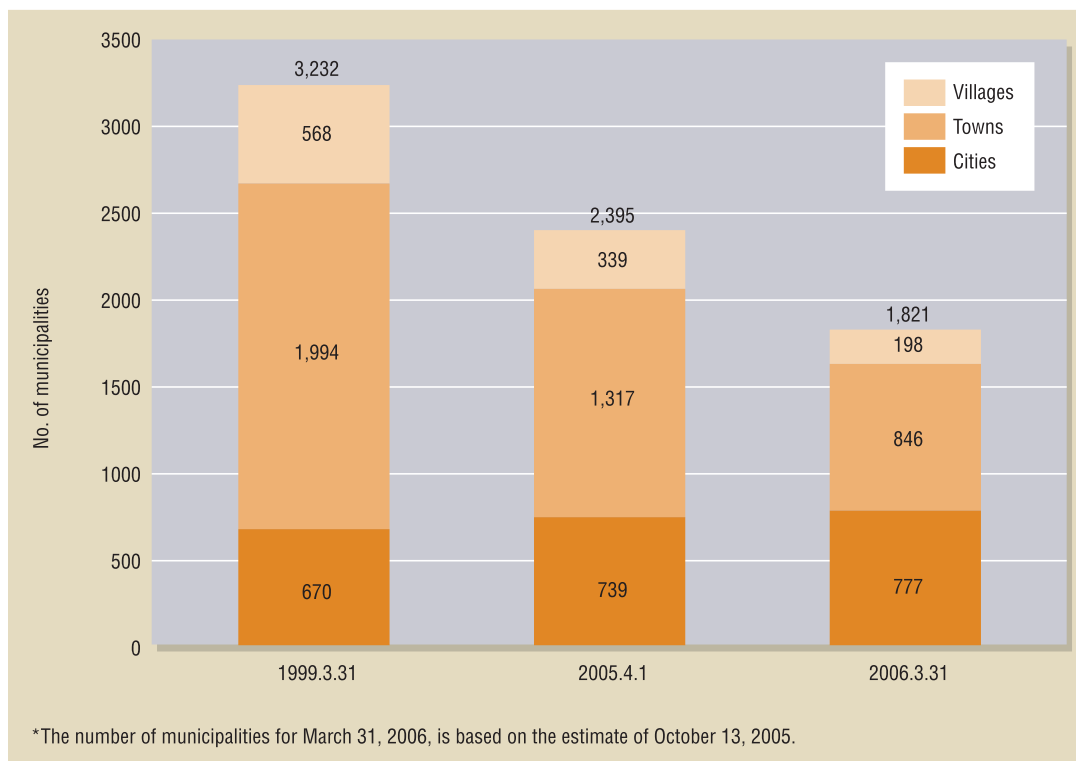


# CLAIR Fact Sheet

## Municipal Mergers in Japan

### The Progress of Municipal Mergers in Japan

Japan's national government plan for municipal mergers has been carried out at an accelerated pace in recent years.



\*Japan's local municipalities are governed under a two-tier system.

- The cities, towns and villages form the basic municipalities.
- A prefecture, which contains cities, towns and villages, is a wider-area regional government (there are currently 47 prefectures in Japan).

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## Changes in the number of cities, towns and villages

1889	→ 71,314 (prior to the Great Merger of Meiji)
1890	→ 15,859 (enactment of the Municipal Government Act and subsequent enforcement of the Great Merger of Meiji)
1953	→ 9,868 (enactment of the Municipal Merger Promotion Law)
1956	→ 3,975 (Great Merger of Showa)
1999	→ 3,232 (immediately before the revision of the Law for Exceptional Measures on Municipal Mergers under the Uniform Decentralization Law)
2005	→ 2,395 (as of April 1, 2005)
2006	→ 1,821 (number of municipalities for March 31, 2006, is based on the estimate of October 13, 2005)

### Note.

There were two major waves in the municipal mergers since the middle of the Meiji era (1868~1912). The first was the Great Merger of Meiji, which was carried out from 1888 through 1889 with the aim of enabling local governments to cope with

newly created administrative responsibilities, including education, tax collection, civil engineering, disaster relief measures, and census register duties. Also included in this reform was the establishment of towns and villages as local municipalities. Until that time they had been

formed as voluntary communities. The second was the Great Merger of Showa, which was implemented from 1953 through 1956 in order to conduct administrative operations effectively after local municipalities were entrusted with the new tasks of establishing and managing

junior high schools under the new education system, administering the organization of local fire stations, and providing for the improvement of social welfare, health and hygiene services. At present, a third wave is underway, the so-called "Great Merger of Heisei".

## Background to Municipal Mergers

The government of Japan is promoting the Municipal Mergers now, since it has become necessary to strengthen the administrative and financial foundation of cities, towns and villages as the basic local municipality, for the following reasons:

### 1. Promotion of decentralization

With the enactment of the Uniform Decentralization Law in 2000, local municipalities are required to become independent and autonomous. Moreover, it

has been determined that local municipalities need a certainty in terms of legal authority, in terms of financial means and in terms of human resources in order to take part in a competitive local government environment. It is this autonomy that will allow them to carry out a diversified and unique administrative role.

### 2. The declining birth rate and aging population

Japan is expected to become a society facing the serious problem

of a declining birth rate and a rapidly aging population. Under these circumstances, a local municipality will need a certain density of population in order to ensure an efficient level of services to be provided to its residents.

### 3. Response to Suburban Sprawl

With the advent of suburban sprawl, administrative organisation and control are needed beyond the boundaries of present-day municipalities. A new larger size municipality is

required.

### 4. Promotion of administrative reform

Faced with an extremely difficult financial situation, both the national and local governments are required to continue to promote administrative reform, including a reduction in total expenditures for the public sector, and a more simplified and effective administrative and financial management system.

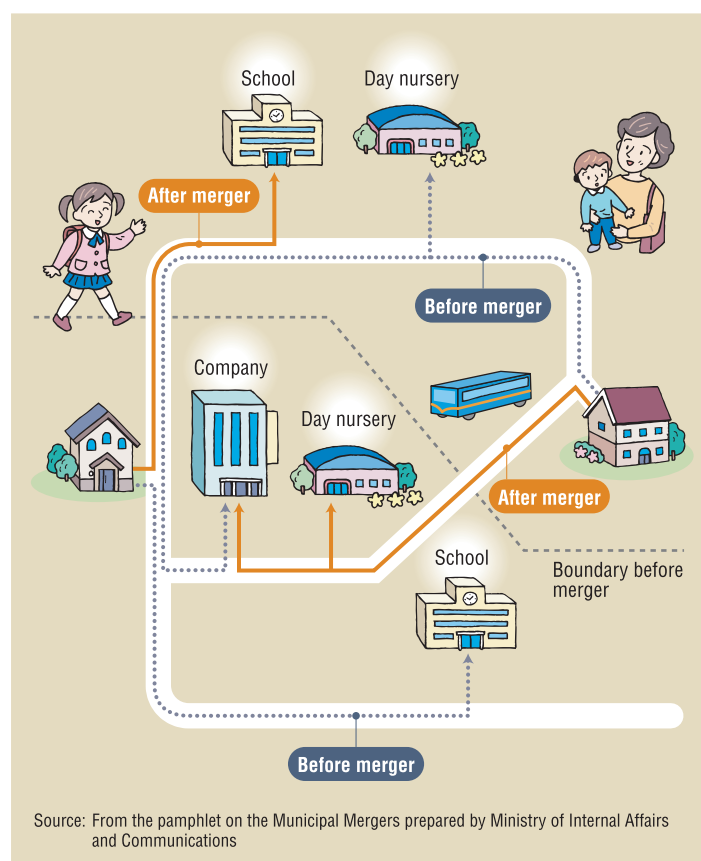
## Effects of Municipal Mergers

The Municipal Mergers are expected to bring about the following effects:

### 1. Improved convenience for residents

Residents will be able to use public facilities and receive services beyond the current boundaries of their cities, towns and villages. For example, in Niigata City (Niigata Prefecture),

after its merger with neighboring municipalities, it has become possible for residents to use day nurseries that have vacancies in their classes that previously were beyond the boundaries of their former cities, towns and villages.



### 2. Highly specialized and diversified services

As a result of mergers, municipalities can set up specialized units and employ staff members with specialized skills to provide highly specialized and effective services which were difficult before their mergers. For example, in Asagiri Town

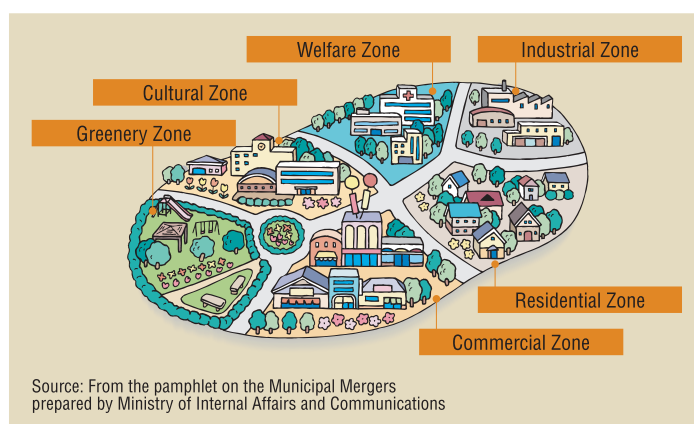
(Kumamoto Prefecture), it has become possible to increase the number of employees who are licensed public health specialists. These employees have now been able to administer preventive inoculations to more infants and hold health lecture meetings for more adults than before its merger.

### 3. Large-scale community development

As a result of mergers, local municipalities can undertake community-wide planning more effectively, such as for road and public facilities, for land use and zoning that reflect unique local

characteristics.

For example, in Maniwa City (Okayama Prefecture), it has become possible to undertake community-wide planning for road construction with zoning that reflects the city's unique local characteristics.

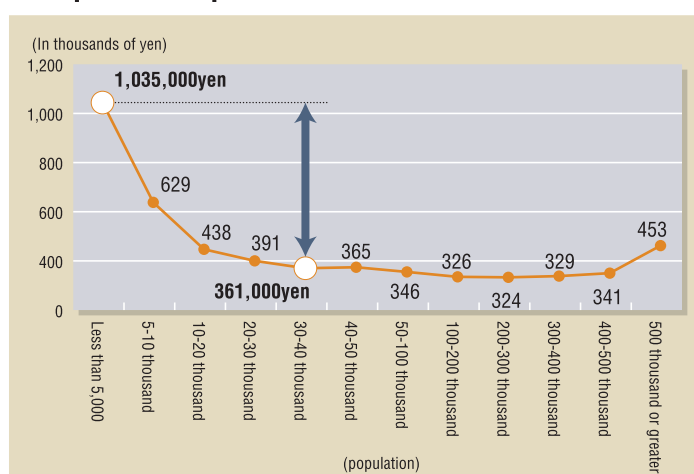


### 4. More effective administrative operations and financial management systems

One of the main advantages

of merging the smaller local governments has been to create economies of scale.

#### Per capita annual expenditure



While the per capita annual expenditure in a municipality with a population of less than 5,000 is approx. 1,040,000 yen, that in a municipality with a population of 30-40,000 is about one-third at approx. 360,000 yen (this is from the Ministry of Internal Affairs and Communications Report on the Account Settlement of Individual Municipalities).

2001 Account Settlement

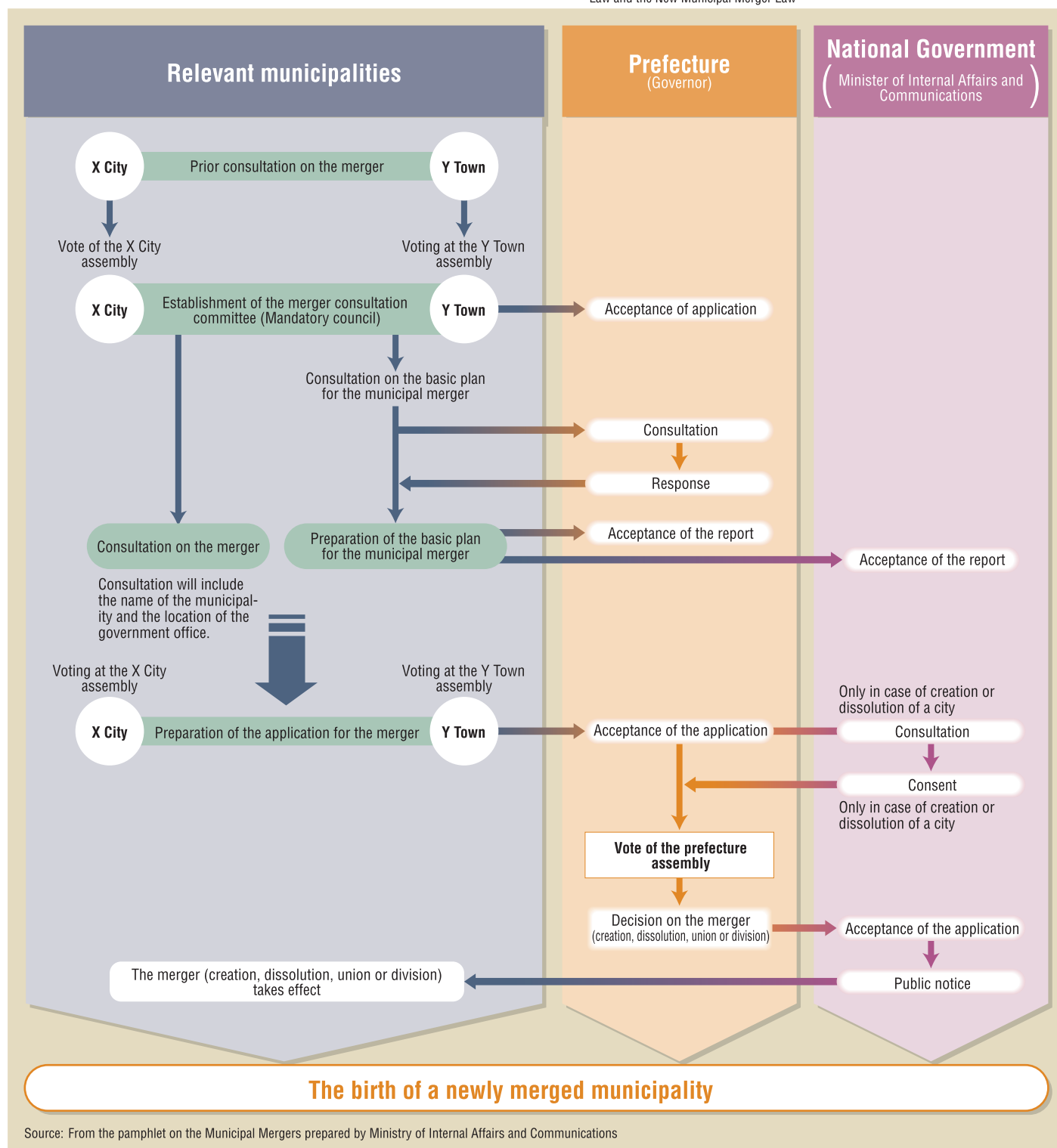
Source: From the pamphlet on the Municipal Mergers prepared by Ministry of Internal Affairs and Communications

## Procedures for Municipal Mergers

The relevant municipalities apply for a merger to the prefecture after they engage in

voluntary consultation with each other. The merger is decided by a vote of the prefecture assembly.

**Note** The laws on which the merger is based: The Local Autonomy law, The Old Municipal Merger Law and the New Municipal Merger Law

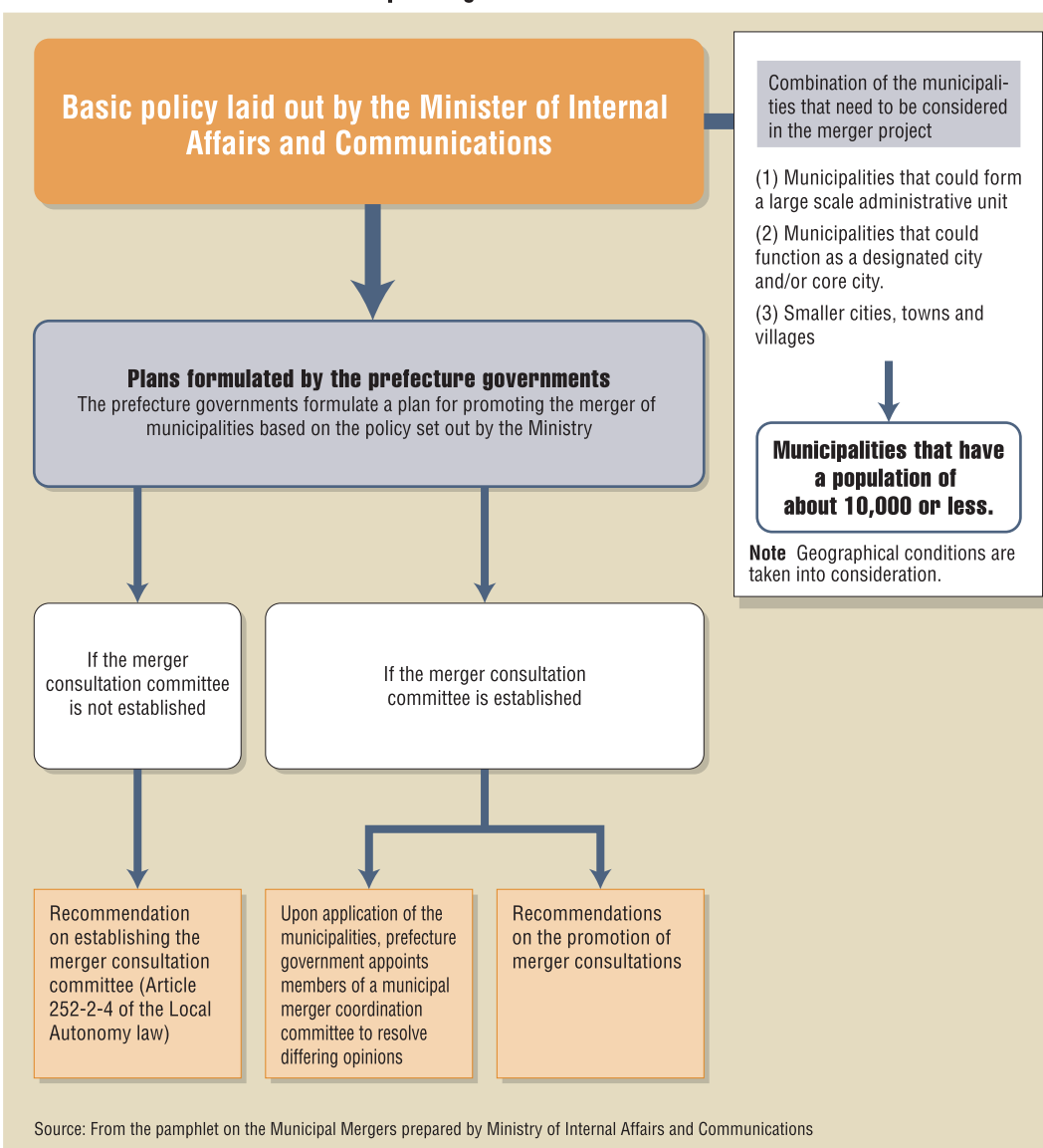




## Promotion of Municipal Mergers

The Law for Exceptional Measures on Municipal Mergers (the New Municipal Merger Law) was enacted in April 2005 as a law only in force for a limited period of five years.

### Measures for Promotion of the Municipal Mergers



The plans drawn up by prefecture governments set out the possible combination of specific municipalities to be merged, as indicated by categories 1-3 in figure 9-6, and are based on the criteria outlined in the policy for mergers of the Ministry of Inter-

nal Affairs and Communications. A deliberative council is set up when a plan is formulated and the opinions of the municipalities that will be merged are heard. In addition, sufficient discussion with their residents is expected to be held in the relevant cities,

towns and villages. The governor of a prefecture can, as indicated in figure 9-6, make recommendations, appoint members of a municipal merger coordination committee and undertake dispute resolution.

## Subsidising Municipal Mergers

### 1. Subsidising municipalities considering a merger

Tax revenues are allocated to municipalities that are designated as the candidates for merger in the plans formulated by prefecture governments to cover expenses for holding merger council meetings and briefing residents, as well as for the integration of computer systems needed as part of the preparation for a merger.

### 2. Subsidising newly merged municipalities

In addition to the guaranteed

regular local allocation tax revenues, the amount of which is calculated each year assuming that the merger had not taken place, a set of measures are taken to ease the impact of drastic changes for a period of five years after a merger.

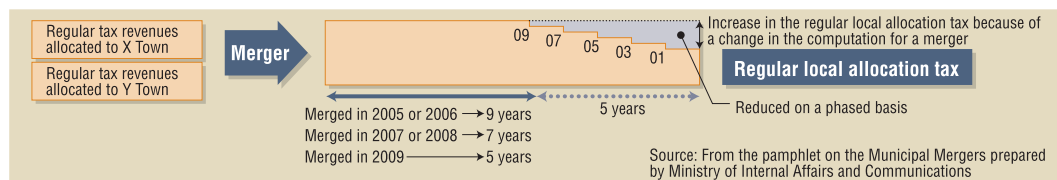
A financial analysis of the

newly-formed municipality is undertaken in order to assess and fund the transaction costs of the intended merger.

Preference and priority in public works and state subsidised projects are given to municipalities that are considering mergers and to those that are newly

merged, according to the central government's "New Municipality Merger Support Plan". Also, central government gives financial support for various prefecture initiated activities that assist newly merged municipalities.

#### Special case of computing the amount of ordinary tax revenues allocated to a newly merged municipality



## CLAIR Activities

In addition to providing support to projects initiated by Japanese local governments for the advancement of international exchange, the Council of Local Authorities for International Relations (CLAIR) performs research on systems and issues of local public finance and administration overseas. The Council also provides support for the overseas activities of Japanese

local governments, as well as for the training of local civil servants and the promotion of local level internationalization. In doing so, CLAIR aims to contribute to the development of local government.

To achieve these goals, CLAIR engages in a wide range of activities, in conjunction with its domestic branches and overseas offices. CLAIR's main

activities are:

1. Development of overseas offices
2. Implementation of international exchange projects
3. Coordination of the Japan Exchange and Teaching (JET) Programme
4. Implementation of international personnel development programs
5. Collection and dissemination

of information on international exchange.

6. Publication of the *Jichitai Kokusaika Kyokai Forum Monthly*
7. Publication of the CLAIR Report
8. Distribution of information on international exchange lectures and specialists
9. Assistance for kye local international exchange groups

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