Movement in Decentralization in Japan after the First Decentralization Reform

Kiyotaka YOKOMICHI
Professor
National Graduate Institute for Policy Studies (GRIPS)

Council of Local Authorities for International Relations (CLAIR)

Institute for Comparative Studies in Local Governance (COSLOG)
National Graduate Institute for Policy Studies (GRIPS)
Except where permitted by the Copyright Law for “personal use” or “quotation” purposes, no part of this booklet may be reproduced in any form or by any means without the permission. Any quotation from this booklet requires indication of the source.

Contact

Council of Local Authorities for International Relations (CLAIR)
(The International Information Division)
Sogo Hanzomon Building
1-7 Kojimachi, Chiyoda-ku, Tokyo 102-0083 Japan
TEL: 03-5213-1722   FAX: 03-5213-1741
Email: webmaster@clair.or.jp
URL: http://www.clair.or.jp/

Institute for Comparative Studies in Local Governance (COSLOG)
National Graduate Institute for Policy Studies (GRIPS)
7-22-1 Roppongi, Minato-ku, Tokyo 106-8677 Japan
TEL: 03-6439-6333   FAX: 03-6439-6334
Email: localgov@grips.ac.jp
URL: http://www3.grips.ac.jp/~coslog/
Foreword

The Council of Local Authorities for International Relations and the National Graduate Institute for Policy Studies have been working since FY 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 FY 2010, we will continue to compile “Statistics on Local Governance (Japanese/English)”, “Up-to-date Documents on Local Autonomy in Japan”, “Papers on the Local Governance System and its Implementation in Selected Fields in Japan” and “Historical Development of Japanese Local Governance”. We will also continue 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.

We would like to express our sincere appreciation to the members of research committee on “Project on the overseas dissemination of information on the local governance system of Japan and its operation” for their considerable efforts, and to all who offered valuable advices and cooperations to this project.

March 2011

Yoko Kimura
Chairperson of the Board of Directors
Council of Local Authorities for International Relations
Tatsuo Hatta
President
National Graduate Institute for Policy Studies
Preface

This booklet is one of the results of research and dissemination activities conducted by the Institute for Comparative Studies in Local Governance (COSLOG), National Graduate Institute for Policy Studies (GRIPS) in FY 2010 as part of a project that started in FY 2005 entitled “Project on the overseas dissemination of information on the local governance system of Japan and its operation”, carried out in cooperation with the Council of Local Authorities for International Relations (CLAIR).

As an integral part of this project, within the framework of a series of documents entitled “Up-to-date Documents on Local Autonomy in Japan”, first issued in FY 2005, individual booklets deal with themes concerning the latest trends in local autonomy. The 7 booklets listed below have been issued up to FY 2009, focusing on the most recent issues in the field of local autonomy in Japan, including trends in decentralization reform, municipal mergers, and so on.

FY2006 The Development of Municipal Mergers in Japan
Recent Local Financial System Reform [Trinity Reform]
FY2007 The Debate on the Introduction of a Regional System in Japan
15 Years of Decentralization Reform in Japan
FY2008 Recent Community Policy in Japan
FY2009 New Policies in Wide-area Administration in Japan
The New System for Promoting Soundness in Local Finances in Japan

This booklet, “Movement in Decentralization in Japan after the First Decentralization Reform”, was written by Prof. Kiyotaka Yokomichi, professor in the National Graduate Institute for Policy Studies, as No. 8 in the series “Up-to-date Documents on Local Autonomy in Japan”.

At the present time in Japan, the Democratic Party of Japan, newly elected as the party in power following a change of government in 2009, has adopted new ways of tackling the issue of decentralization reform under the rubric “Regional Sovereignty Reform”. This booklet introduces trends concerned with decentralization since the First Decentralization Reform implemented in 2000, and at the same time, explains how the new concept of “Regional Sovereignty Reform” is being tackled and what the problem issues are.
I would like to express my appreciation to Prof. Yokomichi, and also to other members of the research committee for their expert opinions and advice.

Lastly, I need to thank Mr. Maurice Jenkins for his work in translating this booklet into English from the original Japanese booklet.

March 2011

Hiroshi Ikawa
Chairperson
Research committee for the project on the overseas dissemination of information on the local governance system of Japan and its operation
Professor
National Graduate Institute for Policy Studies
Movement in Decentralization in Japan after the First Decentralization Reform

Kiyotaka YOKOMICHI
Professor, National Graduate Institute for Policy Studies

Introduction

In the General Election for the House of Representatives held in August 2009, the Democratic Party of Japan (hereafter, DPJ) gained a resounding victory, wresting the reins of power away from the coalition government of the Liberal Democratic Party (hereafter, LDP) and the New Komeito, and giving power to a coalition headed by the Democratic Party of Japan. The loss of power by the LDP came after 16 years, since 1993, as the governing party, while for the DPJ, the election marked the first time for it to come into power. The result was that in September 2009, the Hatoyama Cabinet was formed with Yukio Hatoyama, Representative of the DPJ, as Prime Minister.

In terms of its promotion of decentralization, the policy of the DPJ after its accession to power showed no change from the previous government policy of the LDP. However, “regional sovereignty reform” was put forward as a new key word.

The aim of this paper is to provide an interpretation of decentralization reform movements after the First Decentralization Reform, including the new decentralization policy (regional sovereignty reform) of the newly elected DPJ.

The composition of the paper is as follows.
Chapter 1 gives an account of the results of the First Decentralization Reform and issues that were unresolved.
Chapter 2 recounts the Second Decentralization Reform begun in response to unresolved issues.
Chapter 3 examines the DPJ decentralization policy (regional sovereignty reform) on the basis of such documents as the DPJ manifesto.
Chapter 4 sets out movements aimed at realizing regional sovereignty reform, such as the new reform promotion structure.
Chapter 5 sets out the content of regional sovereignty reform centered on the regional sovereignty strategy flowchart.
Chapter 6 sets out the future prospects for regional sovereignty reform.

1 The results of the First Decentralization Reform and issues that remained unresolved

1.1 The results of the First Decentralization Reform

The First Decentralization Reform was carried out with the objectives of clarifying the respective roles of central government and local governments, heightening the autonomy and independence of local governments, and setting out plans to realize a form of local society which is replete with vitality and individual richness. The Decentralization Promotion Law was enacted in May 1995, and the Decentralization Promotion Committee, established on the basis of the said law, began its
activities in July of the same year. As the result of its deliberations, the Committee presented recommendations for promoting decentralization on five occasions. For its part, central government accepted the recommendations in their final form and drafted the Decentralization Promotion Plan, which formed the basis of the Omnibus Decentralization Law (a law which brought together, in the form of a compilation, various laws aimed at the promotion of decentralization), enacted in July 1999 and implemented from April 2000.

The main content of this first stage of decentralization reform is as follows:

(1) Clarification of the respective roles of central government and local governments

It was stipulated that local governments should be responsible for carrying out a wide range of functions in an autonomous and comprehensive manner. On the other hand, the primary responsibility of central government should consist of the following roles:

(a) Duties bearing on the existence of Japan as a nation-state in international society.
(b) Duties concerned with fundamental rules and regulations appertaining to local governance or to a range of activities on the part of citizens that should be amenable to unified coordination at a national level.
(c) Policies and projects which have of necessity to be implemented on a national scale or from a national perspective.
(d) Other functions which have by their nature to be carried out by central government.

(2) The abolition of the system of agency-delegated functions

The system of agency-delegated functions is a system under which local governments are made to implement the duties of the state. Specifically, in the context of carrying out such duties, the chief of an organ of local government, taking the form of the governor of a prefecture or the mayor of a municipality, is seen as being located in a branch of central government, and implements the said duties under the comprehensive guidance and supervision of the central government ministry or agency within the jurisdiction of which the duties fall. More specifically, the agency-delegated function system was at the core of a centralized administrative system, and was said to have accounted for 70% or 80% of the duties of a prefecture, and 30% to 40% of the duties of a municipality.

The abolition of the agency-delegated function system is the most significant result of the First Decentralization Reform. Within the framework of the abolition of the system, duties which had hitherto been delegated, excluding those duties which were either abolished or stipulated as having to be carried out directly by central government, were put into a new category comprising autonomous duties and legally entrusted duties. In either case, the duties thereby became defined as local government duties. Setting this out on a conceptual level, there was a large-scale transfer of duties from central government to local governments. Putting this in other terms, local governments moved outside the framework of comprehensive guidance and supervision imposed by central government ministries and agencies as a precondition of the superior-subordinate relationship, and became able to carry out administrative operations in an autonomous manner, provided that they acted within the limits of the law.
(3) The establishment of new rules for central government administrative intervention

Prior to abolition of the system referred to above, national ministries and agencies had intervened strongly in the administrative operations of local government. Since agency-delegated functions were fundamentally the duties of the state, it was seen as a matter of course that central government ministries and agencies should give detailed directions regarding their implementation, but quite apart from these duties, central government practiced detailed intervention by means of written directives and the like in the operations of other duties carried out by local governments.

Within the framework of the abolition of the agency-delegated function system, a large-scale revision of this pattern of intervention which had hitherto been carried out by central government ministries and agencies was carried out, and new rules were established governing the relationship between the state (government ministries and agencies) and local governments. The 4 main pillars supporting these new rules are as follows.

(a) General principles of intervention

In general terms, it was stipulated that intervention by central government in the affairs of local governments would be carried out in accordance with the following 3 principles: the principle of definition by law as the basis of intervention, the principle of general law as the basis of intervention and the principle of equity and transparency.

(b) Fundamental types of central government intervention

With regard to the patterns or typology of central government intervention in the autonomous duties of local governments, basic parameters were determined. The 4 kinds of intervention patterns are: advice and recommendations; demand for the production of documents; consultation; and demand for correction. With regard further to legally entrusted duties, 7 patterns were determined, namely: advice and recommendations; demand for the production of documents; consultation; consent; permission, approval and agreement; direction; and proxy implementation. Intervention that falls outside these parameters is limited to one specific occasion and is as far as at all possible to be avoided.

(c) Procedural rules for central government intervention

On occasions when central government organs intervene in the affairs of local governments, there are demands to follow the principle of giving everything in writing if local government requests this, guaranteeing fair and transparent procedures, and giving an assurance of speedy action. It is fair to say that these rules correspond to the rules determined by the Administrative Procedures Law (enacted in 1993), which determined administrative procedures when dealing with ordinary private persons.

(d) The mechanism for settling disputes concerned with central government intervention

In order to settle disputes concerned with administrative intervention by central government organs, a new National-Local Dispute Settlement Commission was established. In a case where an objection is made to intervention by a central government organ, the Commission could be asked to make an investigation.
(4) Promoting the transfer of authority

The transfer of authority from central government to prefectures (designation or annulment of forest reserves in relation to privately owned forest land, etc.) and from prefectures to municipalities (registration or renewal of a dog license, etc.) was taken forward. Furthermore, from the perspective of making a comprehensive transfer of authority to municipalities in line with the scale of the municipality concerned, the “Special City” system was established whereby a comprehensive transfer of authority could be made to cities with a population of 200,000 or more. In this connection, another special system of managing the disposal of duties through bylaws (“Special system of transferring duties through bylaws”) was also established with the aim of enabling the transfer of authority from prefectures to municipalities to be carried out in a way that matched the reality of the conditions in the recipient area.

(5) Review of the obligatory establishment rule

The obligatory establishment rule refers to an obligation placed on local governments by the national government to establish a special post or structure within a local government. This obligatory establishment system was reviewed from the perspective of paying respect to the autonomous organizational rights of municipalities, and resulted in a number of measures, for example, the abolition of the obligation to create the post of supervisor of an agricultural committee, and so on.

(6) Other matters

With a view to rearranging and confirming local administrative systems in response to local decentralization reform, various system reforms were undertaken such as the promotion of municipal mergers or efforts to breathe new life into municipal assemblies.

As explained above, reforms were carried out in a variety of different aspects, but the key reforms can be identified as those set out in (2) and (3) above. In general terms, the First Decentralization Reform aimed at carrying out a large-scale liberalization of the administrative operations of local governments by abolishing or reducing intervention by central government organs (ministries and agencies) in those duties which were already being implemented by local governments, including agency-delegated functions.

1.2 Issues that remained unresolved after the First Decentralization Reform

The Decentralization Promotion Committee, which took the lead in the First Decentralization Reform, completed its role by issuing a “Final Report” in June 2001.

The Final Report listed the following 6 points as issues which were left unsettled after the First Decentralization Reform.2

(1) Reconstruction of a new local financial order

Reconstruction of the local financial order in a form appropriate to a decentralized society. In other words, enhancing the degree of freedom in the financial operations of local governments, while at the same time, reforming the tax and financial structure in a way that makes it easy for local residents to understand the relationship between benefits and burdens.
(2) Relaxation of the imposition of obligations or restrictions on the duties of local governments through laws and regulations

Large-scale relaxation of such matters as the imposition by central government on local governments of an obligation by means of individual laws or regulations to undertake duties, or the imposition of a framework defining the implementation methods of duties.

(3) Examination of new local government mechanisms based on the promotion of decentralization or municipal mergers

A deepening of the examination of the suitability or unsuitability of a variety of suggestions concerned with a new system of local governance from the perspective of reforming the current dual system consisting of prefectures and municipalities.

(4) Entrusting administrative duties to others

A review, using the “principle of subsidiarity” as a reference point, of mutual duty-sharing among municipalities (cities, wards, towns and villages), prefectures, and central government in terms of administrative duties, and the further promotion of ways of entrusting duties to others.

(5) Policies aimed at relaxing system-based regulations and expanding residential autonomy

A serious debate on the issue of how far it is appropriate to relax the uniform regulatory system, imposed by such measures as the Local Autonomy Law, with regard to the organizational pattern of local governments as part of a policy of expanding residential autonomy.

(6) The concretization of the “Principle of Local Autonomy”

The conception of a policy that aims to secure the system of a decentralized society as an example of the concretization of the “Principle of Local Autonomy” as stipulated in Chapter 8, Article 92 of the Constitution of Japan.

Each one of the above points was recognized as being important in taking decentralization forward, and was taken up into subsequent efforts to tackle decentralization reform.

1.3 The Decentralization Reform Promotion Commission

In July 2001, the Decentralization Reform Promotion Commission was launched as a successor organization to the Decentralization Promotion Committee.

However, differences of opinion among the members of the said Commission arose regarding the preferred pattern of the local financial system, and as a result, it ended up by having very little influence on decentralization reform.

2 Movement toward the Second Decentralization Reform

2.1 The enactment of the Decentralization Reform Promotion Law

Serious movement in the direction of the Second Decentralization Reform began with the enactment in December 2006 of the Decentralization Reform Promotion Law, which had the aim of advancing decentralization reform still further on the basis of the results of the previous Decentralization Promotion Law.

The overall configuration of the law followed the same pattern as the Decentralization Promotion
Law. Specifically, the process leading to enactment of the law was to begin with the formation of a committee, which would formulate recommendations on decentralization reform. The government would take receipt of the recommendations and draw up a Decentralization Reform Promotion Plan. The final stage aimed at was the enactment of a new comprehensive decentralization law. However, under the Decentralization Promotion Law, 5 years had been estimated for the above process, but for the process leading to enactment of the new law, a period of 3 years was stipulated as the time limit.

2.2 Start of the Decentralization Reform Promotion Committee

In April 2007, the Decentralization Reform Promotion Committee (hereafter, referred to within this Chapter as “the Committee”) was launched on the basis of the Decentralization Reform Promotion Law. The Committee began, in May 2007, by setting out, as detailed below, its basic thinking concerning decentralization reform promotion.

(1) Creating a country in which local governments play the main role
   • Confirm local governments which stand on an equal footing with and have a cooperative relationship with central government
   • Set out complete self-governance as the aim, comprising not only autonomous administrative rights, but also autonomous financial and legislative rights

(2) The direction to be aimed at
   • Moving to a decentralized society
   • Heightening local vitality and creating strong local areas
   • Confirming the establishment of a local tax and financial base
   • Building a muscular administrative and financial system that is both simple and effective
   • Putting localities first by giving them the power to make their own decisions and accept responsibility for themselves, and by clarifying the balance between benefits and burdens

(3) Basic principles
   • Priority to be given to basic local governments
   • Clarity and simplicity, effectiveness
   • Freedom and responsibility, independence and solidarity
   • A clear balance between benefits and burdens
   • Increased transparency and a resident-centered approach

The Decentralization Reform Promotion Committee subsequently presented recommendations to the government on 4 occasions between May 2008 and November 2009.

2.3 The content of the recommendations of the Decentralization Reform Promotion Committee

2.3.1 The First Recommendations

The Committee issued its first recommendations entitled “First Recommendations: Confirmation of “Local Government” from the standpoint of everyday living”. The recommendations consisted of 2 main pillars: “Radical review of priority administrative areas” and “Promotion of the transfer of authority to basic local governments”.

6
An overview of these is as follows:\(^4\):

(1) Radical review of priority administrative areas

The following radical reviews were sought in respect of 2 individual administrative areas:

(a) Fields concerned with structuring daily life

• Review of the enrollment regulations for nurseries
• Restructuring of the criteria for welfare facilities and public housing to enable decisions to be made through enactment of bylaws
• Relaxation of the qualification requirements for the head of a public health center, etc.

(b) Fields concerned with physical restructuring of the community

• Abolition or reduction of central government intervention in city planning matters
• Transfer to prefectures of authority to manage general national roads and first-class rivers which are completely included in one prefecture

(2) Promotion of the transfer of authority to municipal governments

The transfer of authority from prefectures to municipalities was sought in respect of 64 laws and 359 administrative powers.

(Main examples)

• Transfer to cities of the authority to give permission to begin development of residential and/or commercial facilities
• Transfer to cities of the authority to give permission for a change of use of agricultural land (up to 2 hectares)
• Transfer to cities of the authority to establish such facilities as special nursing homes for the elderly, nurseries, etc.
• Transfer to core cities of the authority to appoint teachers in elementary and junior high schools
• Transfer to cities, towns and villages of the authority to give permission for the manufacture of gunpowder used in pyrotechnic devices such as fireworks

2.3.2 The Second Recommendations

In December 2008, the Committee issued its second recommendations, entitled “Second recommendations: Expansion of the role and discretionary autonomy of localities with the aim of confirming “local governments”.

An overview of these is as follows:\(^5\):

(1) Reexamination of the imposition of obligations and frameworks

From a juridical viewpoint, it is seen as necessary to review the imposition of obligations and frameworks if the autonomy of local governments is to be strengthened and their degree of discretion expanded. In addition, the recommendations state that the “imposition of obligations” denotes the imposition of obligations on a set category of activities in order to make local governments tackle set issues, and that the “imposition of a framework” means fitting a framework to the procedures and judgmental criteria pertaining to the activities of local governments.
(a) The direction of review

- The objects of review
Within the autonomous duties conducted by local governments, objects for review are those where local governments are subject to an obligation or a framework imposed by national law and there is no room for local governments to decide by their own bylaws; they comprise 482 laws and around 10,000 clauses.

- The establishment of signposts
It was decided that signposts (judgment criteria) should be established such cases as approval for the continuance of existing clauses, and that clauses not covered by the foregoing signposts should be separately reviewed.

- Review methods
Review is conducted according to one of the following methods, in which case, the order to be followed is from (i) to (iii).

  (i) Abolition (including cases which go no further than simple encouragement)
  (ii) Permission to carry out delegation or make supplementary corrections in respect of all matters through the use of bylaws (the so-called “Overrule by bylaw”)
  (iii) Permission to carry out delegation or make supplementary corrections in respect of some matters through the use of bylaws (the so-called “Overrule by bylaw”)

(b) Judgments made by the use of signposts
It was decided that among the objects of review, signposts should not apply to about 4,000 clauses.

(c) Future patterns of action
- It was decided that review should be carried out of clauses to which signposts were deemed non-applicable.
- It was decided that the Committee should make investigations into devising specific mechanisms in advance of the Third Recommendations.

(2) Review of central government branch offices
This recommendation seeks a review of central government branch offices from the perspective of simplifying and increasing the effectiveness of national and local administration, getting rid of the abuses arising from the dual administration system and reviewing the allocation of roles to central government and local governments respectively.

(a) Review of duties and powers

- The objects of review
The duties and powers of 15 units of 8 ministries and agencies in the form of central government branch offices (about 400 administrative items) were reviewed.

- Methods of review
The recommendations showed the categorization of the duties of branch offices into: 1) Patterns of overlap; 2) Patterns of burden-sharing; 3) Patterns of intervention; and 4) Burdens to be borne exclusively by the state, and showed the way of thinking about each category in respect of the allocation and sorting of duties.
Results of the review

On the basis of the thinking shown above, it was decided that 116 items, comprising duties and powers, should be reviewed with respect to transfer to local governments.

(b) Review of organizations and structures

Accompanying the review of duties and authority (powers) as detailed above, various suggestions are made concerning the review of organizations and structures.

- Review of the following kinds of structures should be made from the perspective of correcting the abuses resulting from a dual administration system.
- Integration of branch offices under a single ministry or agency so as to form comprehensive national branch offices
- Streamlining of branch offices of one ministry or agency within the jurisdiction of each ministry or agency
- Integration of prefecture-based organizations with block-based organs
- With a view to liaison with local governments or guaranteed governance, discussion organs should be established linking comprehensive branch offices with local governments in the areas concerned.

(c) Staff downsizing in branch offices

As a result of the reform of branch offices, a reduction of about 35,000 staff from branch offices was set as a target.

2.3.3 The Third Recommendations

In October 2009, the Committee issued its Third Recommendations, entitled “The Third Recommendations: “Toward the realization of “local governments” through the expansion of their legislative authority”. The core of these recommendations was the “Review of the imposition of obligations and frameworks”, and in addition, the recommendations also included demands for a “Juridical framework for deliberations between central government and local governments”.

An overview of the content of these recommendations is given below.

(1) Review of the imposition of obligations and frameworks

Out of the total of approximately 4,000 clauses to which the “signposts” in the Second Recommendations did not apply, the current recommendations set out review measures that should be specifically devised per individual clause for the review of priority items (totaling 892) that fell into one of the 3 priority categories listed below.

(a) National establishment and administration criteria vis-à-vis local government facilities and publicly owned assets – trend in the direction of abolition or delegation through bylaws.
(b) Central government intervention (consultation, consent, approval and permission) in local government duties – trend in the direction of abolition or a weaker pattern of intervention.
(c) Imposition of an obligation on local government in respect of the formulation of a plan – trend in the direction of abolition or simple encouragement.

(2) Review of juridical systems connected to local government

Requirement for reexamination of the need for establishment of a system, replacing this with
options, in respect of boards of education and agricultural committees.

(3) Provision of a legal system underlying a forum for deliberations between central government and local governments

Recognizing that the provision of a legal basis for a place for deliberations between central government and local governments is a goal to be aimed at, the recommendations made a specific suggestion.

2.3.4 The Fourth Recommendations

In November 2009, the Committee issued its final set of recommendations, entitled “The Fourth Recommendations: Toward the realization of “local governments” by means of strengthening autonomous financial authority”. The recommendations concentrated on topics which were concerned with confirming a financial base for local government in a form that is compatible with a decentralized society. The topics were divided into 2 categories: urgent topics and medium to long-term topics, and suggestions were made for reconstructing local tax and financial systems in respect of both categories.

An overview of the recommendations is as below.

(1) Urgent topics

- Securing the overall amount of local allocation tax as well as raising the legally determined rate
- Reviewing the burden imposed on local governments for the cost of projects directly controlled by central government.
- Securing the transfer of duties and powers to local governments as well as securing financial resources.
- Making the system of national treasury subsidies into one comprehensive grant.
- Reexamining the provisional tax rates of various kinds of car-related taxes.
- Making a start on the realization of actual deliberations between central government and local governments.

(2) Medium-term to long-term topics

- Reform of the local tax system.
  - Strengthening local taxation and constructing a positively oriented local tax system.
  - Strengthening the power of local governments to levy taxes.
- Reordering the national treasury subsidy system
- Local allocation tax
  - Strengthening the financial adjustment function.
  - Carrying out a review of the function of local allocation tax in guaranteeing a source of revenue.
- Local bonds
  - Reviewing the intervention of central government in respect of local bond issues.
- Provision of a guarantee of financial discipline for local governments
2.3.5 Summary of the recommendations

The various recommendations made by the Committee centered on the following 4 points.

(1) Transfer of authority from prefectures to municipalities.
(2) Relaxation of the imposition of obligations and frameworks on local governments.
(3) Review of the system of central government branch offices.
(4) Reconstruction of the local tax and financial system.

Of these 4 items, points (1), (2) and (4) were designated in the “Final Report” of the Decentralization Promotion Committee issued in June 2001 as issues that were still outstanding in the area of decentralization reform.

On the other hand, the greatest effort by the Committee was put into item (2), concerned with the relaxation of obligations and frameworks imposed on local governments. The same recommendation was made in the second and third sets of recommendations, and as a result of a tremendous amount of effort, it was recommended that specific measures should be devised, clause by clause, to deal with 892 individual clauses.

As reported above, the First Decentralization Reform aimed, by means of such measures as abolishing the system of agency-delegated functions, to abolish or reduce administrative interventions by central government organs (ministries and agencies). In contrast to this, the Second Decentralization Reform aimed, through the device of relaxing the imposition of obligations and frameworks, to abolish or reduce legislative interventions by central government.

Given the aim of expanding the degree of freedom enjoyed by local governments, it is not sufficient simply to reduce administrative interventions by central government (ministries and agencies). Local governments carry out administrative operations in obedience to laws, government ordinances and ministerial ordinances. If the methods used by local governments to carry out administrative operations are narrowly defined by national laws and regulations, then even if, for example, there is a reduction in administrative interventions on the part of central government, it does not necessarily follow that the degree of freedom enjoyed by local governments is expanded. This is the context within which a target is set, by means of relaxing the imposition of obligations and frameworks on local governments through the device of reviewing juridical interventions by national laws and regulations, of expanding the degree of freedom enjoyed by local governments.

The next important item is that of (1), namely the transfer of authority from prefectures to municipalities. On the basis of the thinking underlying the “principle of subsidiarity”, there are a significant number of cases in which it would be preferable for actions to be carried out not by prefectures, but by municipalities, which comprise the basic unit of local government. In actual fact, within the context of the enlargement of the size of municipalities caused by the Great Heisei Consolidation, a large number of duties have been transferred to municipalities by making use of the “special system of transferring duties through bylaws”. With this in mind, the Committee asked that a total of 64 specific, individual laws and 359 administrative powers be transferred from prefectures to municipalities.

Against the background of this situation, the shape of the final recommendation concerned with (3) above, namely the review of national branch offices, is opaque. In particular, it was suggested
that 2 kinds of structures should be created as comprehensive national branch offices representing cross-ministerial groupings, i.e. not representing just a single ministry or agency, corresponding to regional blocks and variously entitled “Regional Promotion Bureaus (tentative name)” or “Regional Construction Bureaus (tentative name)” (responsible for the implementation of public projects directly controlled by central government), but it is still very questionable whether any link can be found between on the one hand the establishment of such comprehensive branch offices and on the other hand, decentralization or national administrative reform.

Finally, there was also a recommendation concerning (4) above, namely reconstruction of the local tax and financial system, but no specifics were given. In particular, in the section concerned with “medium-term and long-term issues”, the timing of the recommendation was given as being after a change in political power, and no more details were given other than an indication of the direction of future debate.

2.4 The response of the government to the recommendations

With a view to taking decentralization reform forward, the government established in May 2007, the Decentralization Reform Promotion Headquarters with the Prime Minister as the chief and all the cabinet members as members.

In June 2008, the said Headquarters, on receipt of the First Recommendations, determined the form of the “Decentralization Reform Promotion Guidelines” (first issue), stipulating that the government would make very strong efforts to tackle the promotion of decentralization reform while paying the utmost respect to the First Recommendations. On receipt of the Second Recommendations, they followed this up, in March 2009, by determining the “Flowchart for the reform of central government branch offices”; this took the form of a plan showing the main events concerned with the reform in the form of a flowchart covering a period of, broadly speaking, 3 years.

However, there was fierce resistance to the plans on the part of individual ministries and agencies. Specifically, the position in August 2009 was that with regard to the transfer of authority from prefectures to municipalities, as sought in the First Recommendations, answers that “transfer is possible” or that “the direction of transfer is being examined” were given in respect of no more than 6 laws and 22 administrative items. Or with regard to the relaxation of the imposition of obligations and frameworks, “we are reexamining as requested” was the reply in respect of no more than 29 items, and even after including the reply that “we are carrying out some kind of review, but not as requested”, the total number rose to no more than 36 items.

Subsequently, in September 2009, there was a change of government. As a result of this change, the Decentralization Reform Promotion Headquarters that had existed under the previous government was abolished without formalizing a Decentralization Reform Promotion Plan or a New Comprehensive Decentralization Bill. Instead, the decentralization was going to be tackled in a new way under the Democratic Party of Japan, which had acquired power through the general election.
3 The decentralization policy of the Democratic Party of Japan

3.1 From decentralization reform to regional sovereignty reform

Even before its rise to power, the DPJ had used, not “decentralization” but “regional sovereignty” as its political slogan in the context of the promotion of decentralization. The kind of thinking denoted by the use of this term is that in the case of matters pertaining to a particular region or locality, it is the region or locality that makes the decisions. With this background in mind, decentralization under the newly empowered government came to be taken forward within a new framework and with the use of regional sovereignty reform as its slogan.

3.2 The 2009 DPJ manifesto

In the “2009 Manifesto”, used by the DPJ in the general election of August 2009, through which the DPJ gained control of the House of Representatives, the slogan “From centralized government to regional sovereignty” is highlighted as one of the 5 principles making up the DPJ’s vision of government. Under the banner of the promise of “regional sovereignty” the Manifesto says: “Local affairs will be decided at the local level. We will create vital and dynamic local communities.” It also contained the following statement: “Establish “regional sovereignty”. As the first step, greatly increase the funds under local governments’ independent control.”

The following points were also specified in connection with decentralization as part of the policy items in the manifesto.

(1) Disassemble and reorganize the Kasumigaseki central government complex, confirm regional sovereignty

(a) Policy objectives

- Radically reform the centralized system of government which has persisted since the Meiji Restoration, and bring about a transformation to a “regional sovereignty state”.
- Reform the relationship between central government, which concentrates on national-level work, and local governments, changing it from a superior-subordinate type of relationship to one based on parity and cooperation between equals. Create a situation in which local governments can provide administrative services geared to the reality of the locality concerned.
- Revitalize localities by reinvigorating local industries and expanding employment.

(b) Specific policies

- By means of the device of establishing afresh a body to be called the “Government Revitalization Council (provisional name)”, rearrange all administrative duties and make a large-scale transfer of authority and funds so as to enable municipal local governments to respond to their rearranged duties.
- Establish a forum for deliberations between central government and local governments that rests on a firm legal foundation.
- Abolish “subsidies with conditions attached” previously granted by the central government to local governments, and make “comprehensive grants” which, fundamentally, local governments can use at their own discretion. Confirm necessary budgets for compulsory
education and social security.

- Through the provision of "comprehensive grants", it is hoped that at the same time as enabling revenue to be used more effectively, applications for subsidies will become unnecessary, and administrative and personnel costs concerned with subsidies can be reduced.

(2) Abolish central government branch offices and the burden imposed on local governments for the cost of projects directly controlled by central government.

(a) Policy objectives
- Get rid of the dual system of administration by central government and local governments, and hand over to local governments the things that they are able to do for themselves.
- Increase the amount of funding that local governments are able to use freely, and create a context in which local governments are able to respond in a suitable manner to the needs of their own communities.

(b) Specific policies
- Abolish in principle central government branch offices.
- Abolish the system of burdening local governments with the costs of all nationally administered projects, such as roads, rivers and dams, and get rid of the burden of approximately 1 trillion yen. At the same time, no reduction should be made in the local allocation tax.

In the DPJ policy document “INDEX 2009”, which brings together the culminating points in the policy debate as of July 2009, the following points concerned with decentralization reform additional to the contents of the manifesto referred to above, are set out as shown in the list below.

- In the immediate future, continue to take the existing framework of prefectures as the basic framework of wide-area local government.
- Review the imposition of obligations and frameworks through laws and government or ministerial ordinances.
- Establish a new system of financial adjustment and revenue guarantees.
- Refresh the system of listening to residents’ opinions through residential balloting.
- Have governance structure determined by residents themselves.
- Strengthen the inspection function in local governments.

Looking at the above list, it is immediately apparent that the DPJ’s decentralization (regional sovereignty) policy is making a much bolder effort than the previous government to aim at achieving decentralization. The policies of relaxing the imposition of obligations and frameworks through laws and government ordinances, and of the transfer of authority to basic local government are the same as the recommendations of the Decentralization Reform Promotion Committee, but the proposals to make subsidies into a comprehensive grant and to abolish, in principle, national branch offices point in a direction that goes beyond the previous recommendations.

4. Movements toward regional sovereignty

4.1 A new promotion structure

4.1.1 The launch of the Regional Sovereignty Strategy Council

In November 2009, the new government established, by means of a Cabinet resolution, the
“Regional Sovereignty Strategy Council”, composed of representatives of concerned ministries and well-known eminent figures, with the Prime Minister at its head. The new Council replaced the Decentralization Headquarters, established by the previous government, and saw decentralization reform (regional sovereignty reform) as its primary task.

4.1.2 Establishment of the Local Administration and Finance Examination Council

In January 2010, the Ministry of Internal Affairs and Communications (MIC) established the Local Administration and Finance Examination Council, composed of Vice-ministers of MIC and well-known eminent figures and chaired by the Minister of MIC. This was the successor organization to the previously existing Local Government System Research Council, and its main task was to examine the radical review of the Local Autonomy Law, which constituted an important link to regional sovereignty reform.

4.2 Decisions under the Decentralization Reform Promotion Plan

In December 2009, the Regional Sovereignty Strategy Council held its first meeting, and following these deliberations, in the course of the same month, the Decentralization Reform Promotion Plan was endorsed as a Cabinet resolution. This plan, the content of which is given below, was defined as the first step in regional sovereignty reform.

(1) Review of the system of imposing obligations and frameworks; expansion of authority through bylaws.

On the basis of the premise that due respect would be paid to the Third Recommendations issued by the Decentralization Reform Promotion Committee, it was decided that from among the various items requested by local governments, in the first instance, necessary legal devices should be devised in respect of 63 items (121 clauses).

(2) Establishing a legal foundation for deliberations between central government and local governments

On the question of a forum for deliberations between central government and local governments, it was decided that in the context of ongoing cooperation and liaison, a bill would be issued after definite plans had been formulated.

(3) A promotion system for future regional sovereignty reform

With regard to the Regional Sovereignty Strategy Council, it was decided that necessary legal measures would be devised with the aim of forming a system that was furnished with a clear responsibility and authority to assist the Cabinet.

This Decentralization Reform Promotion Plan had as its core the relaxation of the imposition of obligations and frameworks that had been based on the recommendations of the Decentralization Reform Promotion Committee, and it is fair to see it as a transitional plan continuing the previous government’s decentralization reform. However, it was reviewed and some additional items were added that reflected the determination of the new government to proceed with decentralization reform.
5. The goals aimed at by regional sovereignty reform

5.1 Flowchart for regional sovereignty strategy (the Haraguchi Plan)

In the Regional Sovereignty Strategy Council held in December 2009, the then Minister for Internal Affairs and Communications, Haraguchi Kazuhiro, issued a “Regional Strategy Flowchart (hereafter in this chapter, Flowchart)”. This was termed the “Haraguchi Plan”, and it represents a large-scale outline of the DPJ’s decentralization reform (regional sovereignty reform) plans.

An overview of the flowchart is as follows (refer to Diagram).

Firstly, the fundamental stance was shown in the following 2 sets of objectives.

- Taking as the aim the realization of regional sovereignty, to tackle the issue in a speedy and concentrated way, within specified time limits.
- To work in defined stages, set clear objectives, and in that way work toward strategic and effective realization.

Next, the above process was divided into 2 stages, showing how issues connected with regional sovereignty reform would be tackled.

(1) Regional sovereignty strategy, Phase I (broadly speaking, up to the summer of 2010)

A promotion system should be confirmed as the broad defining principle of Phase I, and on this basis, the “Fundamental Principles of Regional Sovereignty Strategy (provisional name)” should be formulated.

The major proposals for tackling each item are as listed below.

(a) Regional Sovereignty Strategy Council

- Putting the Regional Sovereignty Strategy Council on a firm legal foundation

(b) Regulatory matters

- With regard to the review of the imposition of obligations and frameworks by means of laws and government ordinances, it is proposed that legal devices should be provided for those items selected from the Third Recommendations of the Decentralization Reform Promotion Committee to be incorporated into the Decentralization Reform Promotion Plan. It is further proposed that the remaining recommendations should be incorporated as a plan into the Fundamental Principles.
- With regard to the transfer of authority from prefectures to municipalities, the content of the First Recommendations made by the Decentralization Reform Promotion Committee is to be incorporated as a plan into the Fundamental Principles.

(c) Budgetary matters

- An examination is to be made of how to abolish the current system of subsidies and transform it into a comprehensive grant, and after arranging the points of debate in order, the fundamental thinking is to be incorporated into the Fundamental Principles.
- Strengthening the budgetary resources under the control of local governments.
- Abolition from fiscal 2010 of the costs of maintaining and administering items from the burden imposed on local governments by projects directly controlled by central government.
- Promotion of the greenery decentralization reform.
(d) Juridical matters
  - Carry out a radical revision of the Local Autonomy Law. Issue a draft bill to realize a part of it.
  - Self-determined formation of links between local governments.
  - Carrying out an examination of the reform of the central government branch office system, and after arranging the points of debate in order, incorporating the fundamental thinking into the Fundamental Principles.
  - Establishment of a legal foundation for deliberations between central government and local governments.

(2) Regional sovereignty strategy, Phase II (broadly speaking, from summer 2010 to summer 2013)
  The main direction of Phase II is defined as being to realize, through the Fundamental Principles, the items shown in the DPJ manifesto, and to enact a “Fundamental Law of the Promotion of Regional Sovereignty”.
  The major proposals for tackling each item are as listed below.

(a) Regulatory matters
  - With regard to the review of the imposition of obligations and frameworks by means of laws and government ordinances, establish legal devices for dealing with remaining items.
  - Carry out the transfer of authority from prefectures to municipalities.

(b) Budgetary matters
  - Implement the comprehensive grant, in place of subsidies, in stages from fiscal 2011.
  - Strengthen the financial resources under the direct control of local governments.
  - Carry out an examination of the burden imposed on local government by construction costs within the costs arising from projects directly controlled by central government.
  - Promote the greenery decentralization reform.

(c) Juridical matters
  - Carry out a radical revision of the Local Autonomy Law; enact a “Fundamental Law of Local Government”.
  - Self-determined formation of links between local governments, etc.
  - Take forward an examination of central government branch offices that includes local personnel transfer and the desirable pattern of organizations.

In addition to the above, carry out a comprehensive review of all related reforms after the space of 3 years, and aim to carry out further development by means of the “Fundamental Principles of the Promotion of Regional Sovereignty (provisional title)” which was stipulated as having to be formulated in the summer of 2013.

5.2 Presentation of 2 bills connected with regional sovereignty reform, and a draft revision to the Local Autonomy Law

In March 2010, on the basis of the Flowchart, the Cabinet submitted to the Diet 2 bills concerned with regional sovereignty reform and a bill comprising revisions to the Local Autonomy Law.
5.2.1 A Bill concerned with setting out and revising laws aimed at the promotion of regional sovereignty reform

The above bill comprises 2 main content elements. One is aimed at providing a legal foundation for the Regional Sovereignty Strategy Council, established in November 2009 by means of a Cabinet resolution (revision of the Cabinet Office Establishment Law). Another part (revision of 41 connected laws) comprises review of the system of imposing obligations and frameworks on the basis of the Decentralization Reform Promotion Plan determined in a Cabinet resolution of December 2009. The main part of the contents deals with the delegation to local government bylaws of the process of setting operational standards concerned with the provision of public housing as well as standards concerned with the establishment and operation of child welfare facilities.

Furthermore, the important point to note about this bill is that it clarified legal definitions concerned with regional sovereignty reform. Specifically, “regional sovereignty reform” is clarified as “reform to enable, in accordance with the ideas of the Constitution of Japan, administrative tasks which are close to the everyday lives of residents, to be carried out over a wide spectrum in an autonomous and comprehensive manner, by local public bodies, and at the same time, to enable residents to tackle various issues within the context of their own judgment and responsibility.”

The reason why “regional sovereignty reform” and not “regional sovereignty” is the specialist term defined here is that even though the term “regional sovereignty” is used as a political slogan, there are difficulties in the way of formulating a legal definition of “legal sovereignty”, given that Japan is not a federal state.

5.2.2 A bill concerned with a forum for deliberations between central government and local governments

The purpose of this bill is to establish a forum for deliberations between central government and local governments. An overview of the content is as given below.

(a) Structure

- On the side of central government, the members of the forum are to be comprised of the Chief Cabinet Secretary, the Minister responsible for regional sovereignty reform, the Minister of Internal Affairs and Communications, the Minister of Finance, and ministers of state designated by the Prime Minister. On the local government side, the members will consist of representatives of the 6 local associations (National Governors’ Association, Japan Association of City Mayors, National Association of Towns and Villages, National Association of Chairpersons of Prefectural Assemblies, National Association of Chairpersons of City Councils, National Association of Chairmen of Town and Village Assemblies). Additional ad hoc members can be appointed. The Prime Minister is authorized to attend and address meetings at any time.
- The chairperson will be appointed by the Prime Minister from among the members on the central government side. The vice-chairperson will be elected from among the members on the local government side.
- Meetings will be convened by the Prime Minister and will be held a set number of time in each
fiscal year.

(b) Deliberations

- The subject of deliberations will comprise items deemed to be of importance and selected from the following list.
- Items concerned with the division of responsibilities between central government and local governments.
- Local administration, local finance, local taxation, other items of concern to local autonomy.
- Items that can be presumed to have an influence on local governments, selected from the following topics: economic and financial policy, social security policy, educational policy, provision of infrastructure, items concerned with other national policies.
- The chairperson is empowered to set sectional meetings, and to arrange for investigations and examinations to be carried out on specified topics.
- The regular members as well as specially invited members must pay due respect to the results of the deliberations.

5.2.3 A Bill to reform part of the Local Autonomy Law

This bill, which is based on the report, issued in June 2009, of the 29th Local Government System Research Council, aims as its primary objective to expand the degree of freedom of individual local governments in terms of their structure and their management operations.

An overview of the contents is as follows.
- Abolition of the upper legal limit on the set number of local government assembly members.
- Expansion of the scope of items covered in local assembly resolutions (so that duties legally entrusted to local governments can also be covered by bylaws in assembly resolutions)
- Enabling the joint establishment of government organs (internal structures under the control of the Chief, committee bureaus, etc.)
- The abolition, from among special local public bodies, of full co-operatives, joint office co-operatives, and local development corporations
- The abolition, on the basis of the Decentralization Reform Promotion Plan, of the imposition of obligations on local governments (for example, the obligation on municipalities to formulate fundamental plans, the obligation to report on budgets and the settlement of accounts, the obligation to report on the enactment, revision or abolition of bylaws, etc.)
- Revision of the system of making direct demands (creation of a system restricting eligibility to specified persons to be the representative of a group making direct demands, etc.)

The three bills incorporating the above points were all presented to the 174th session of the Diet in March 2010, but were not passed before the end of the Diet session in June 2010, and were carried over for subsequent deliberation (as of December 2010).

5.3 Establishment of the Fundamental Principles of Regional Sovereignty Strategy

In June 2010, on the basis of the flowchart, the Cabinet passed a resolution entitled “Fundamental Principles of Regional Sovereignty Strategy”. The main points of the resolution are as follows.
(1) Overall image of regional sovereignty strategy reform

- Regional sovereignty reform means moving away from the centralized system that has been adopted ever since the Meiji era, and the reform envisaged under this rubric involves positing a radically new image of the form that this country, Japan, should assume.
- Regional sovereignty reform is an idea that is taken forward on the basis of the concept of “resident-oriented”, and brings new richness to the content of the concept of “national citizens’ sovereignty”; in other words, it transforms the concept of the “dependence and allocation” mechanism into one of “autonomy and creativity”. Furthermore, it also embodies the concept of “reform of responsibility”, whereby local residents, on their own initiative form an area that is responsible for itself.
- With regard to the form of the state, i.e. central government, the relationship with local governments should be one of a partnership of equals, and on this basis, the pattern of action should not be one where the state makes a unilateral decision and imposes this on local areas, but one where central government and local governments cooperate and deliberate together and pay full respect to the autonomy and judgment of regions and localities.
- On the basis of the “principle of subsidiarity”, the foundation of policy should be one of entrusting administrative matters which are close to the daily lives of residents as far as possible to local governments. In particular, a high value should be placed on municipalities as the basic units of local government, which should be located in a framework within which they can perform a central role in the administration of the area concerned.
- The Fundamental Principles referred to above aim at the promotion, in a comprehensive and planned context, of policies concerned with promoting regional sovereignty reform. In addition to juridical measures that must be decided in the immediate future, it is necessary to clarify the direction to be adopted in tackling various issues concerned with reform over, broadly speaking, the next 2 to 3 years.
- Set as a target the establishment of “The Fundamental Principles of the Promotion of Regional Sovereignty (provisional title)” by Summer 2012.

(2) The main issues in regional sovereignty reform
The main issues in the reform of regional sovereignty are listed under the 9 headings given below
(a) Expansion of the right to enact bylaws concerned with reviewing the imposition of obligations and frameworks
- Devising legal frameworks and other measures necessitated by the Second Review (308 items, 528 clauses) carried out after the issuing of the Decentralization Reform Promotion Plan.
- Continuing to take the process of reviewing and reexamining forward in the future.
(b) The transfer of authority to municipal governments
- Devising legal frameworks and other measures necessitated by the issues (68 items, 251 clauses) shown in the First Recommendations of the Decentralization Reform Promotion Committee.
- Continuing to take the process of transferring authority to municipal governments forward in the future.
(c) Abolition in principle (radical reform) of central government branch offices

- Reviewing and rearranging from a zero baseline start under the rubric of “abolition in principle”.
- Sorting out (reallocating) duties and powers, while following the principle of transferring the said duties and powers from central government branch offices to local governments.
- After the completion of the (self-initiated) sorting and allocating of duties and powers, carried out by each central government ministry and agency, of branch offices under their respective jurisdiction, making a report by end August 2010 to the Regional Sovereignty Strategy Council.
- Close examination by the Regional Sovereignty Strategy Council of the results of the sorting and reallocation carried out by ministries and agencies, and then reallocation of powers and duties by the said Council.
- On the basis of the above sorting and allocation process, aim to formulate by 2010 an “Action Plan (provisional title)”, which clarifies such matters as the direction of the transfer to local governments of the duties and powers of central government branch offices and the desirable pattern of processes and organizational structures aimed at realizing the said transfer.

(d) Transformation of subsidies with conditions attached into comprehensive grants

- Expansion to the maximum possible degree of the framework of the “subsidies with conditions attached” that are the target for transformation into a comprehensive grant.
- As far as possible, bundling up subsidies together into large blocks, without being bound by ministerial and departmental frameworks. Give local governments freedom in the use of these blocks.
- With regard to allocation of the grant, reduction of central government intervention as far as at all possible. Further, carry out the grant allocation process on the basis of measures which take consideration of regions in unfavorable circumstances.
- Creating a total sum made up of the funds required for various subsidies and grants which, taken together, would constitute the target for a comprehensive grant.
- Implementing, in stages, from fiscal 2011 onwards, the various subsidies and grants used for investment into a comprehensive grant, and from fiscal 2012 onwards, the transformation of subsidies and grants for management and operational expenses into a comprehensive grant.
- Together with concerned ministries and agencies, the Regional Sovereignty Strategy Council will play a main role with regard to making the plan for a comprehensive grant system, and the concrete content of the plan will be decided by means of a budgetary compilation process. Furthermore, central government should deliberate with local governments on the formation of a forum for consultation and joint deliberation.

(e) Strengthening and securing local tax and other revenue resources.

- In line with the process of regional strategy reform, promotion of the strengthening of local tax and other revenue resources.

(f) Abolition of the burden imposed on local governments for the cost of projects directly controlled by central government
By fiscal 2013, reaching a conclusion on the pattern to be adopted after the abolition of the system of financial burdens on local governments arising from projects directly controlled by central government.

(g) Enactment of the Fundamental Law of Local Government (radical revision of the Local Autonomy Law)

advancing the process of examination in the Local Administration and Finance Examination Council of the Ministry of Internal Affairs and Communications, and after completion of the examination of items is achieved, present draft bills to the Diet one after the other.

At the present time, fundamental thinking is as outlined below.

- Advancing the examination of mechanisms and devices, preparing options selected from the fundamental mechanisms determined by law, whereby basic structures of local government can be selected by local residents making use of their own judgment and responsibility on their own initiative.
- While continuing to adopt as a basic precondition the dual representational system that follows traditional interpretations in terms of the basic structures of local governments, advancing examination of what kind of systematic configuration can be achieved in place of the current uniformly determined pattern of local governments.
- Conducting a broad-based examination of the desirable pattern of local assemblies.
- Radically reconstructing the existing system of inspection and external auditors.
- While taking as a foundation integration with the national system of financial accounting, advancing study of the ideal pattern of financial regulations in the Local Autonomy Law.

(h) Liaison between local governments and a regional system

- Examining what should be the preferred pattern of support for the configuration of cooperation between local governments.
- Inclusion within the range of things to be examined of what is known as the “regional system”.

(i) Advancing the greenery decentralization reform

- Advancing the decentralization reform of greenery, setting the aim of constructing a society based on regional sovereignty that enhances the power of self-sufficiency and wealth creation in local areas.

In addition to the above, on the same day as deciding on the Fundamental Principles, the Ministry of Internal Affairs and Communication issued a document summarizing thinking to date, entitled, “Fundamental thinking directed at a radical reform of the Local Autonomy Law”, based on the debates held during the sessions of the Local Administration and Finance Examination Council17. This thinking is reflected in the items in (g) in the above list, dealing with the enactment of the Fundamental Law of Local Government (radical review of the Local Autonomy Law).

6 An overview of the future of regional sovereignty reform and problem points

6.1 The promotion of decentralization reform by means of a new driving force

As a result of the change of government in September 2009, decentralization reform acquired a new driving force. The new government was much more enthusiastic than the previous one, and on
the basis of the new slogan proclaiming “Regional Sovereignty Reform”, adopted the attitude of taking decentralization forward. The promotion system too was totally renewed, and the central organizational focus shifted from the previous Decentralization Reform Promotion Committee to the Regional Sovereignty Strategy Council. Moreover, the organization responsible for examining the review of the Local Autonomy Law also changed from the Local Government System Research Council to the Local Administration and Finance Examination Council. If a legal basis is established for the formation of a forum for deliberation between central government and local governments, it is likely that this will also be an important organization for the promotion of decentralization reform. A further point is that an organogram of decentralization reform (a flowchart for regional sovereignty strategy) (the Haraguchi Plan) was prepared, and on the basis of this, the “Fundamental Principles of Regional Sovereignty Strategy” was determined.

Decentralization reform was therefore taken forward on the basis of a new slogan, a new system and a new plan. It is reasonable to expect that with this new driving force propelling decentralization reform forward, it will be promoted more vigorously than under the previous government.

In fact, there have already been some results. With reference to the review of the imposition of obligations and frameworks, 63 items (121 clauses) were incorporated into the first review (Decentralization Reform Promotion Plan), and 308 items (528 clauses) into the second review, and it can be presumed that the number would not have been so large if there had not been a change of government. The same can be said of the 68 items concerned with the transfer of authority to the basic units of local government shown in the Fundamental Principles. Moreover, 2 bills concerned with regional sovereignty reform after receipt of the Decentralization Reform Promotion Plan and a bill revising the Local Autonomy Law in terms of an expansion of the degree of freedom of local governments were submitted to the Diet.

However, the above said, the 3 bills referred to here have still not been enacted. If they are not enacted, then the system of promoting decentralization will be powerless, and the scope of the freedom enjoyed by local governments will not be expanded. Hence the speedy enactment of these bills is something greatly to be desired.

It should also be noted that even though there has been a change of government, opposition to decentralization reform on the part of ministries and agencies remains strong. In terms of the reform of central government branch offices, the appeal to ministries and agencies to undertake voluntary streamlining did meet with a response, but the actual number of cases in which the transfer of duties to local governments was approved did not rise above a little under 10% of the whole18. In order for decentralization reform to be advanced, it is necessary for strong political leadership to be shown by the new government.

However, the current political situation is unstable. The problems surrounding the transfer of the Futenma military base in Okinawa on the one hand, and political funding on the other, brought about the resignation of the entire Hatoyama Cabinet in June 2010 before even one year had elapsed since the general election, and while the government in power remained the DPJ, a new Cabinet was formed under Prime Minister Kan Naoto. Moreover, as a result of the election of the House of Councilors in July of the same year, although the DPJ retained its majority in the House of
Representatives, it became the minority party in the House of Councilors. Subsequently, Prime Minister Kan carried out a Cabinet reshuffle in September 2010, and as a result of this reshuffle, Katayama Yoshihiro became the new Minister of Internal Affairs and Communications.

Within the space of one year, therefore, both the Prime Minister and the Minister with responsibility for decentralization reform changed, and the National Diet underwent very considerable change. How far decentralization reform (regional sovereignty reform) can be promoted depends on the political leadership shown by the new Cabinet, but it is fair to say that the road will not be easy.

6.2 Problem areas in decentralization reform (regional sovereignty reform) in the future

The crucial question is one of how far the issues of decentralization reform (regional sovereignty reform) as shown in the “Regional Sovereignty Strategy Flowchart” as well as in the “Fundamental Principles of Regional Sovereignty Strategy” can actually be realized.

Taking first the issue of the review of the imposition of obligations and frameworks, when we combine the results of the first and the second review, 649 clauses in all were reviewed. However, the Third Recommendations of the Decentralization Reform Promotion Committee said that it was necessary for 892 clauses to be reviewed, so it is necessary for the review process to be continued in the future. In addition, if an effort is to be made to meet the Second Recommendations of the said Committee, around 4,000 items will need to be reviewed. How and to what extent this will be done is a major issue to be tackled.

In the case of another issue too, namely the transfer of authority from prefectures to municipalities, 68 items and 251 clauses were reviewed, meaning that about half the number of clauses raised in the First Recommendations of the above Committee were reviewed, so the question of how to tackle the remaining clauses is a problem issue for the future.

But the above said, a certain amount of progress has been made, and it is reasonable to assume that progress will continue to be made in the future.

Real problems are the reform of central government branch offices and the transformation of subsidies into a single, comprehensive grant. In the case of the former issue, it was stipulated that an “Action Plan” aimed at reforming the branch offices would be formulated within 2010. However, the outcome was that when it was left to ministries and agencies to take action on their own initiative, they said that less than 10% of the powers held by branch offices could be transferred to municipal governments. This is a very different result from the direction indicated by the proposal for “abolition in principle of central government branch offices”, as shown in the Fundamental Principles. A major problem issue to be resolved is how the Regional Sovereignty Strategy Council will respond to these results, and to what extent it will be able to progress to moving toward abolition when an “Action Plan is formulated”

With regard to the latter issue, it was stipulated that the process of transforming subsidies into a single, comprehensive grant would be implemented from fiscal 2011 in the case of a grant relating to investment, and from fiscal 2012 in the case of a grant relating to operational expenses. This issue of
the establishment of a comprehensive grant system is a very major problem. If a comprehensive grant is simply talked about, but in practice, subsidies continue to be given as they are now, the whole thing is a nonsense. On the other hand, when the system of a comprehensive grant is realized as expected, a problem that it likely to arise is that of the relationship between the comprehensive grant and local allocation tax.

Both the above points featured prominently in the “Manifesto 2009” of the DPJ. Given that the 2 points referred to are prime points in the regional sovereignty reform policy of the DPJ, the main focus of attention is on what form actual developments will take.

Turning to the enactment of the Fundamental Law of Local Government (radical review of the Local Autonomy Law), this is something that will promote legal reform aimed at enhancing the degree of freedom of local governments, including the introduction of the selection system by local government. However, it is fair to assume that specific reform of the system is still very much at the stage of needing to be more and more deeply debated.

[Notes]

1 For more information on the content of the First Decentralization Reform and the issues that remained unresolved, see Ikawa, Hiroshi (2008), 15 Years of Decentralization Reform in Japan (Up-to-date Documents on Local Autonomy in Japan No. 4), Institute for Comparative Studies in Local Governance, National Graduate Institute for Policy Studies.

2 See: Decentralization Promotion Committee (June 14, 2001), Chihou bunkaen suishin iinkai saishuu houkoku — bunken-gata shakai no kouzou: sono michisuiji [The final report of the Decentralization Promotion Committee — the structure of a decentralized society: the route leading to it], pp. 27-30.

3 See: Decentralization Reform Promotion Committee (May 30, 2007), Chihou bunken kaikaku suishin ni atatte no kihonteki kangaekata — chihou ga shuyaku no kunizukuri [Basic thinking concerning the promotion of decentralization reform – the formation of a state in which local areas play the main role], pp. 1-3.

4 ibid (May 28, 2008), Dai ichi-ji kankoku – seikatsu-sha no shiten ni tatsu “chihou seifu” no kakuritsu [The First Recommendations – confirming “local government” from the standpoint of everyday living].

5 ibid (December 8, 2008), Dai ni-ji kankoku – “chihou seifu” no kakuritsu ni muketa chihou no yakuwari to jishu no kouzou [The Second Recommendations – Expansion of the role and discretionary autonomy of localities with the aim of confirming “local government”].

6 ibid (October 7, 2009), Dai san-ji kankoku – jichi rippou-ken no kakudai ni yoru “chihou seifu” no jitsugen [The Third Recommendations - Toward the realization of “local government” through the expansion of the legislative powers].

7 ibid (November 7, 2009), Dai yon-ji kankoku – jichi zaisei-ken no zayo no kouzou ni yoru “chihou seifu” no jitsugen [The Fourth Recommendations - Toward the realization of “local governments” by means of strengthening autonomous financial authority].

8 For more information on the “special system of transferring duties through bylaws”, see Appendix 1 attached to the document listed in footnote 4 above, i.e. Dai ichi-ji kankoku – seikatsu-sha no shiten ni tatsu “chihou seifu” no kakuritsu [The First Recommendations – confirming “local government” from the standpoint of everyday living] of May 28, 2008.

9 Jiji Press Ltd. (August 18, 2009), Kanchou sokuhou (denshiban) [ Hot news from the government sector (electronic edition)].

10 Democratic Party of Japan Headquarters (July 27, 2009), Minshutou seisaku seiseiko: Manifesto [DPJ government policy: Manifesto].

11 Democratic Party of Japan (July 23, 2009), Minshutou seisaku-shuu: INDEX 2009 [DPJ policy
12 Resolution by the Cabinet of Japan (December 15, 2009), *Chihou bunken kaikaku suishin keikaku* [Decentralization Reform Promotion Plan].

13 Regional Sovereignty Strategy Council (document distributed at the first meeting on December 14, 2009), *Chiiki shuken senryaku no kouteihyou (an): “Haraguchi puran”* [Flowchart for regional sovereignty strategy (draft): “Haraguchi Plan”].

14 In the flowchart (revised edition) presented at the second meeting of the Regional Sovereignty Strategy Council in March 2010, the formulation date for the Fundamental Principles of the Promotion of Regional Strategy is brought forward to 2012.

15 29th Local Government System Research Council (June 16, 2009), *Kongo no kiso jichi-tai oyobi kansa / gikai seido no arikata ni kan suru toushin* [Report concerning the preferred future pattern of basic local government as well as auditing and local assemblies].

16 Resolution by the Cabinet of Japan (June 22, 2010), *Chiiki shuken senryaku taikou* [Fundamental Principles of Regional Sovereignty Strategy].

17 Local Administration and Finance Examination Council (June 22, 2010), *Chihou jichi-hou bappon kaisei ni mukete no kihonteki na kangaekata* [Basic thinking aimed at radical reform of the Local Autonomy Law].

18 Jiji Press Ltd. (September 7, 2010), *Kanchou sokuhou (denshiban)* [Hot news from the government sector (electronic edition)].

[References]
The following works are additional to those cited in the Notes above.

Nishio, Masaru (2007) [in Japanese] *Chihou bunken kaikaku* [Decentralization reform], University of Tokyo Press

Decentralization Promotion Headquarters (March 2000) [in Japanese] *Sutaato! Chihou bunken* [Start! Decentralization]
<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>May</td>
<td>Enactment of the Decentralization Promotion Law</td>
</tr>
<tr>
<td></td>
<td>July</td>
<td>Start of the Decentralization Promotion Committee</td>
</tr>
<tr>
<td>1996</td>
<td>December</td>
<td>First Recommendations of the Decentralization Promotion Committee</td>
</tr>
<tr>
<td>1997</td>
<td>July</td>
<td>Second Recommendations of the Decentralization Promotion Committee</td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>Third Recommendations of the Decentralization Promotion Committee</td>
</tr>
<tr>
<td></td>
<td>October</td>
<td>Fourth Recommendations of the Decentralization Promotion Committee</td>
</tr>
<tr>
<td>1998</td>
<td>May</td>
<td>Cabinet resolution: The Decentralization Promotion Plan</td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>Fifth Recommendations of the Decentralization Promotion Committee</td>
</tr>
<tr>
<td>1999</td>
<td>March</td>
<td>Cabinet resolution: The Second Decentralization Promotion Plan</td>
</tr>
<tr>
<td></td>
<td>July</td>
<td>Enactment of the Omnibus Decentralization Law</td>
</tr>
<tr>
<td>2000</td>
<td>April</td>
<td>Implementation of the Omnibus Decentralization Law</td>
</tr>
<tr>
<td>2001</td>
<td>June</td>
<td>Final Recommendations of the Decentralization Promotion Committee</td>
</tr>
<tr>
<td></td>
<td>July</td>
<td>Start of the Decentralization Reform Promotion Commission</td>
</tr>
<tr>
<td>2006</td>
<td>December</td>
<td>Enactment of the Decentralization Reform Promotion Law</td>
</tr>
<tr>
<td>2007</td>
<td>April</td>
<td>Launch of the Decentralization Reform Promotion Committee</td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>Establishment of the Decentralization Reform Promotion Headquarters</td>
</tr>
<tr>
<td>2008</td>
<td>May</td>
<td>First Recommendations of the Decentralization Reform Promotion Committee</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>Decentralization Reform Promotion Guidelines (first issue)</td>
</tr>
<tr>
<td></td>
<td>December</td>
<td>Second Recommendations of the Decentralization Reform Promotion Committee</td>
</tr>
<tr>
<td>2009</td>
<td>March</td>
<td>Flowchart concerning the Reform of Central Government Branch Offices</td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>Formation of the Hatoyama Cabinet (DPJ becomes the governing party)</td>
</tr>
<tr>
<td></td>
<td>October</td>
<td>Third Recommendations of the Decentralization Reform Promotion Committee</td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>Fourth Recommendations of the Decentralization Reform Promotion Committee</td>
</tr>
<tr>
<td></td>
<td>December</td>
<td>Establishment of the Regional Sovereignty Strategy Council</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cabinet resolution on the “Decentralization Reform Promotion Plan”</td>
</tr>
<tr>
<td>2010</td>
<td>January</td>
<td>Establishment of the Local Administration and Finance Examination Council</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Regional Sovereignty Strategy Flowchart (draft)” (Haraguchi Plan)</td>
</tr>
<tr>
<td></td>
<td>March</td>
<td>Presentation to the Diet of 2 bills connected with regional sovereignty reform</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and a draft revision to the Local Autonomy Law</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>Ministry of Internal Affairs and Communications document: “Fundamental thinking directed at a radical reform of the Local Autonomy Law”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cabinet resolution on the “Fundamental Principles of Regional Sovereignty Strategy”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Resignation of the Hatoyama Cabinet; Formation of the Kan Cabinet</td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>Start of the Second Kan Cabinet</td>
</tr>
</tbody>
</table>
Regional Sovereignty Strategy Flowchart (Haraguchi Plan)

**Phase I**
From confirmation of the promotion system to formulation of the "Fundamental Principles of Strategy"

- **December** FY 2009
  - Launch of the Regional Sovereignty Strategy Council
  - Holding meetings

- **March** FY 2010
  - Establishment of the Strategy Council (review of the imposition of obligations and frameworks)
  - Remaining items from the Third Recommendations

- **Summer** FY 2010
  - Examination of fundamental thinking

**Phase II**
From the realization of the manifesto items as transmitted through the "Fundamental Principles of Strategy" to the formulation of the "Fundamental Law of Regional Sovereignty Promotion"

- **FY 2011**
  - Further examination and concretization

- **FY 2012**
  - Implementation

- **FY 2013,....**
  - Implementation

### Regional Sovereignty Strategy Council

- Review of the imposition of obligations and frameworks on local governments through laws and regulations
  - Local demands in the Third Recommendations
  - Remaining items from the Third Recommendations

- Transfer of authority to municipal governments
  - Review deadline
  - Comprehensive bill on regional sovereignty promotion (Version 2)

### Regulatory Matters

- Formation of a comprehensive grant (abolition of conditional subsidies)
  - In addition to investigations by municipalities into ways of tackling issues in a preemptive, comprehensive way, research aimed at the promotion of reform Positive promotion (support for deregulation, PR)

- Strengthening and securing local revenue sources
  - Abolition of the burden imposed on local governments for projects directly controlled by central government

- Promotion of the decentralization reform of greenery
  - Examination by Working Team composed of parliamentary secretaries concerned

### Budgetary Matters

- Examinaiton by Working Team composed of parliamentary secretaries concerned
  - Related bills legislation
  - Further examination and concretization

### Juridical Matters

- Enactment of the Fundamental Law of Local Government (radical review of the Local Autonomy Law)
  - Toward the enactment of the "Fundamental Law of Local Government"

- Links between local governments
  - Self-determined formation of cooperative links between local governments

- Reform of central government branch offices
  - Review of reform (including local personnel transfers, preferred organisational patterns, etc.)

### Creation of a Local Government

- Making a legal foundation for central government - local government deliberations
  - Holding conferences
INDEX

* The interpretation of the following “words” and “phrases” is as follows.
  ○○○……11(7, 8, Table 5, 19 x 3) means that the word ○○○ appears in 1 section on page 11
  line 7, line 8, and Table 5, and appears in 3 sections on line 19 of the same page. As for
  counting the lines, we start from the top, but we do not take into account spaced lines, titles of
  Tables and Graphs, and notes or sources.

A

agency-delegated function system / system of
agency-delegated functions
...........................................2(19,20,26,29), 3(9), 11(16)

B

burden imposed on local governments for the cost of
projects directly controlled by central government
..................................................10(18), 14(5), 21(39)

C

comprehensive grant .............................................
10(22), 13(38), 14(2,34), 16(34), 17(19),
21(17,19,27,29,30,32), 24(28,38), 25(1=2,3,4),
28(Table × 2)

D
developmental reform..................................
Preface(12,16,20×2,25,26×2), 1(1,2,13,16,17×2,
20,22,23,30,32,33,36,37), 2(2,3,4,5,7,30), 4(21,
24,29,30×2,33), 5(6,24,25,26,27,28,31,32,33,34,
35,36,37,38), 6(2,3,4,5,7,8,9,11,30,32), 11(8,9,15,
18), 12(7,14,15,18,19,33,34,35×2), 13(1,2,3,4,7,
17), 14(19,29,31,33), 15(3×2,12,14,20,32,34,35,
37), 16(6,25,26,30,39), 17(23), 18(7), 19(27), 20
(33,37), 22(26,27,37,38), 23(2,3,8,9,12,14,17,21,
25,29,33), 24(5,6,9,11,16), 25(15,16,19,21,23,25),
26(3,22,24,25), 27(1,2,3,4,5,6,7,8,9,10,11,12,13,
14,15,16,17,18,19,20,21,24,25,28), 28(Table × 2)

developmental reform of greenery
..................................................22(27), 28(Table)
Decentralization Reform Promotion Commission
..................................................................5(26,27), 27(14,15)
Decentralization Reform Promotion Law
.................................................5(33,35), 6(9), 27(16)
Decentralization Reform Promotion Plan...........
6(3), 12(34), 15(12,14,32), 16(26), 18(7), 19(27),
20(33), 23(17,21), 26(3), 27(28), 28(Table)
deliberations between central government and local
governments ...........................................
9(25), 10(2,4,24), 13(35), 15(23,25), 17(7), 18(21,
23)
dual administration system....................8(30), 9(8)
dual representational system .................................... 22(14)

first decentralization reform ................................. 22(14)
  Preface(20,26), 1(2,17,20,30,32,33,34), 2(29),
  4(24,29,30), 11(15), 25(15)
Flowchart for regional sovereignty strategy
  .................................................... 16(2), 23(9), 26(5)
Fundamental Law of Local Government
  ........................................ 22(4,35), 25(9), 28(Table × 2)
Fundamental Principles of Regional Sovereignty
  Strategy ........................................................ 16(17), 19(36,37), 23(10), 24(12), 26(14), 27(35),
  28(Table)
Fundamental Principles of the Promotion of Regional
  Sovereignty (provisional title)
  .................................................... 16(17), 28(Table)

greenery decentralization reform
  ........................................ 16(39), 17(23), 22(26)

Haraguchi Plan
  ............................ 16(2,5), 23(10), 26(6), 27(30), 28(Table)

liaison(or links) between local governments
  .................................................. 17(3,27), 22(22), 28(Table × 3)
Local Administration and Finance Examination Council
  ........................................ 15(5,7), 22(6,33), 23(7), 26(15), 27(29)

Manifesto 2009 of the DPJ / 2009 DPJ Manifesto /
  2009 Manifesto ........................................ 13(9,10), 25(7)

National-Local Dispute Settlement Commission
  .......................................................... 3(37)

Omnibus Decentralization Law ........... 2(4), 27(11,12)
overrule by bylaw ........................................ 8(16,18)

principle of subsidiarity ............. 5(12), 11(31), 20(16)

reexamination(or review(s)) of the imposition of
  obligations and frameworks / review of the system
  of imposing obligations and frameworks ..............
  7(31,32), 9(23,27), 14(23), 15(17), 16(23), 17(15),
  18(6), 23(15), 24(14), 28(Table × 2)
regional sovereignty .............................................
  Preface(25,27), 1(14,17,23,25,27×2,29), 13(2,3,8,
  12,13,15,19,23), 14(29,36,38), 15(1,4,11,13,16,28,
  29), 16(1,2,3,6,9,13,15,17,20,21), 17(9,12,32,34,
  37), 18(4,12×2,17×2,18,27), 19(36,38), 20(1,2,5,
  22,26,28,29), 21(9,10,31), 22(28,36), 23(1,4,9,11,
  21), 24(6,9,11,12,13,34), 25(7), 26(4,6×2,14),
  24(1,2,5,30,31,35), 28(Table × 7)
regional sovereignty reform ..............................
  Preface(25,27), 1(14,17,23,25,27×2,29), 13(2,8,
  15(4,11,16,28), 16(1,6,13), 17(34,37), 18(12×2,17,
  27), 20(2,5,22,28), 22(36), 23(1,21), 24(6,9,11),
  25(7), 27(1,31)
regional sovereignty state ..........................
  Regional Sovereignty Strategy Council ............
  14(38), 15(1,13,29), 16(3,20,21), 18(4), 21(8,10,
  32), 23(4), 24(34), 26(4,8), 27(27), 28(Table)
regional sovereignty strategy flowchart
                           .......................... 1(27), 24(12), 27(30), 28(Table)
regional system ....................... Preface(15), 22(22,25)

S

society based on regional sovereignty .............. 22(27)
special system of transferring duties through bylaws
                           .............................................. 4(9), 11(36), 25(39)
subsidies with conditions attached ... 13(37), 21(17,18)
system of agency-delegated functions

        see agency-delegated function system