



Local Autonomy in Japan

Current Situation & Future Shape

2009

Ministry of Internal Affairs and Communications (MIC), Japan

1 Outline of Local Autonomy in Japan

- 1) The central government and local governments have different juridical personalities.
The structure of local autonomy and the relation between the central government and local governments are stipulated in the Local Autonomy Law, based on the Japanese constitution.
 - ※ Japan is not a federal country.
- 2) The local government system is two-tier; prefectures and municipalities.
 - ※ 47 prefectures and 1,777 municipalities exist as of April 1, 2009.
- 3) Each local government has an assembly as the highest decision making body whose members are directly elected by its citizens. The assembly has an authority to approve budgets and establish ordinances within law.
 - ※ The national diet system is a two-chamber system; House of Representatives and House of Councilors.
- 4) Local governments operate according to the chief executive system (the presidential system).
 - ※ The parliamentary cabinet system is adopted in the national level.
 - ※ Administrative committees are established in education, police, election and so forth.
- 5) Local governments have more functions than the central government.
 - ※ Most of local governments' activities are limited by national laws.

2 Status of Local Self-Government in the Constitution of Japan

CHAPTER 8. LOCAL SELF-GOVERNMENT

Article 92. Regulations concerning organization and operation of local public entities shall be fixed by law in accordance with the principle of local autonomy.

Article 93. The local public entities shall establish assemblies as their deliberative organs, in accordance with law.

② The chief executive officers of all local public entities, the members of their assemblies, and such other local officials as may be determined by law shall be elected by direct popular vote within plural communities.

Article 94. The local public entities shall have the right to manage their property, affairs and administration and to enact their own regulations within law.

Article 95. A special law, applicable only to one local public entity, cannot be enacted by the Diet without the consent of the majority of the voters of the local public entity concerned, obtained in accordance with law.

3 Local Autonomy System

(Types of Local Governments)

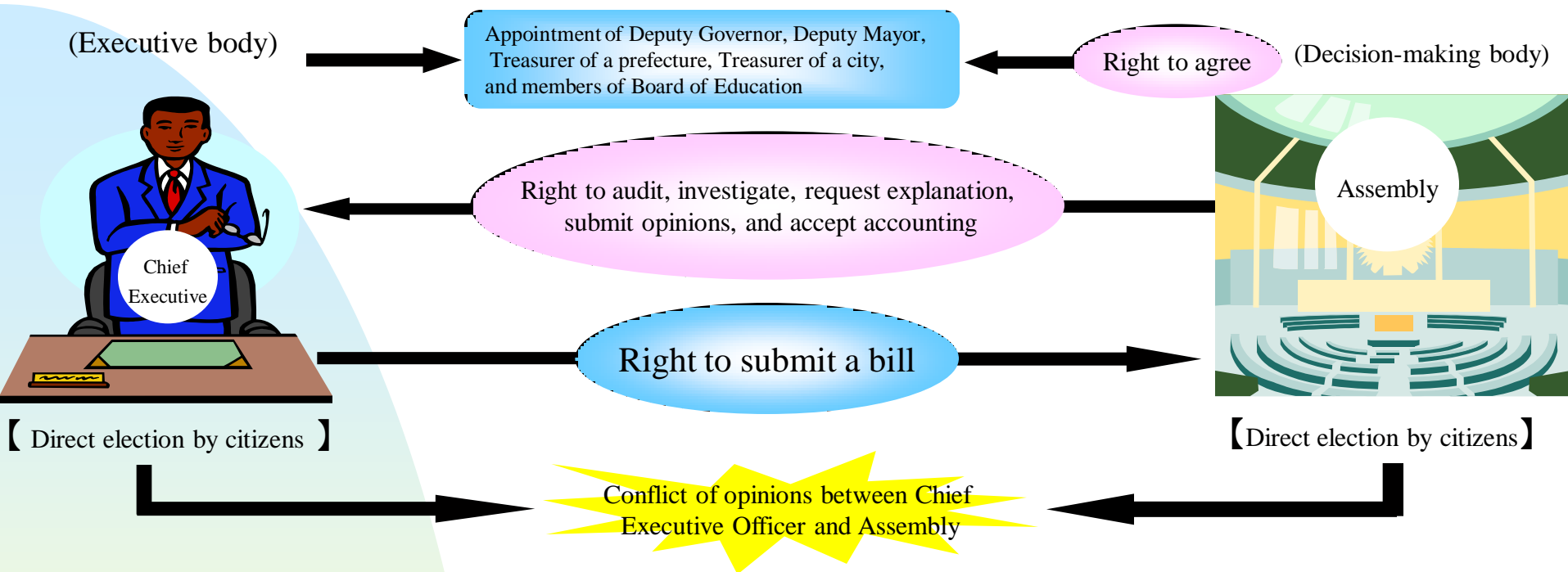
Classification	Number (Breakdown) as of April 1, 2009		Population (Maximum ~ Minimum) unit: person as of April 1, 2005			
Prefectures	47	Metropolis (to) (Tokyo)	1	12,576,601	(Tokyo)	
		Province (do) (Hokkaido)	1	5,627,737	(Hokkaido)	
		City prefectures (fu) (Osaka · Kyoto)	2	8,817,166	(Osaka) · 2,647,660 (Kyoto)	
		Prefectures (ken)	43	8,791,597	(Kanagawa) ~ 607,012 (Tottori)	
Municipalities	1,777	Cities ··· 783	Government-designated cities ··	18	3,579,628	(Yokohama) ~ 674,746 (Okayama)
			Core cities	41	669,603	(Kumamoto) ~ 290,693 (Shimonoseki)
			Special case cities	41	480,079	(Kawaguchi) ~ 194,244 (Kofu)
			Other cities	683	560,012	(Hachioji) ~ 5,221 (Utashinai)
		Towns	802	53,560	(Miyoshi) ~ 1,796 (Yonakuni)	
		Villages	192	53,560	(Takizawa) ~ 214 (Aogashima)	
		Special wards (Established in Tokyo)	·····	23	841,165	(Setagaya) ~ 41,778 (Chiyoda)

3 Local Autonomy System (Local Assembly)

- 1) The number of local assembly members varies, basically in accordance with population.
 - Prefectures: 127 in Tokyo (max.) / 38 in Shimane (min.)
 - Municipalities: 92 in Yokohama City (max.) / 6 in Toshima Village (min.)
- 2) The term of office of local assembly members is four years.
- 3) Candidates for election of the assembly members must be a citizen of the local entities and at least 25 year-old.
- 4) Local assembly consists of;
 - Chairperson, Vice Chairperson, Committee and Special Committee
- 5) Major Authorities of local assembly are;
 - creating ordinances, approving budgets, reviewing settled accounts, and censuring non-confidence motion against the executive chief officer
- 6) Regular sessions are held four times a year.
 - Ad-hoc sessions take place, if necessary.
 - Terms of sessions differ among local governments.
 - Regular sessions usually last from a week to a month.

3 Local Autonomy System

(Relation Between Chief Executive and Assembly)



Coordination methods

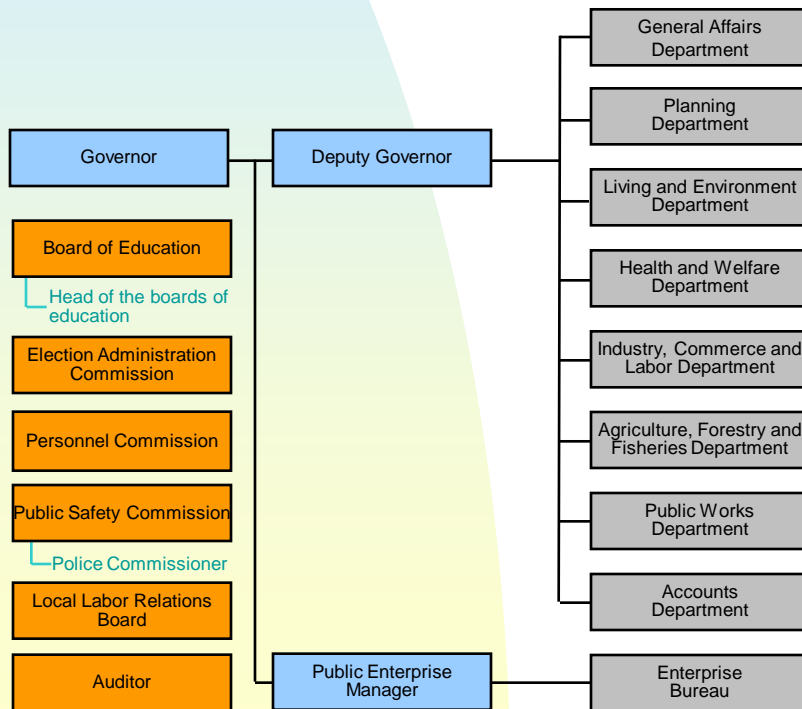
- (1) Objections to the establishment/improvement/elimination of regulations and decision of budgets by assembly
→ Chief Executive Officer can submit the matter to assembly for reconsideration by presenting reasons.
- (2) Breach of the law concerning decision and election of assembly
→ Chief Executive Officer must submit the matter to assembly for reconsideration or conduct reelection of assembly.
- (3) Unenforceable revenue and expenditure decided by assembly
→ Chief Executive Officer can submit the matter to assembly for reconsideration.
- (4) No-confidence resolution of Chief Executive Officer by assembly
→ Chief Executive Officer can dissolve assembly.
- (5) Establishment, opening, or convening of assembly fails or matters for decision are not decided.
→ Arbitrary decision of chief executive officer can be conducted.

3 Local Autonomy System

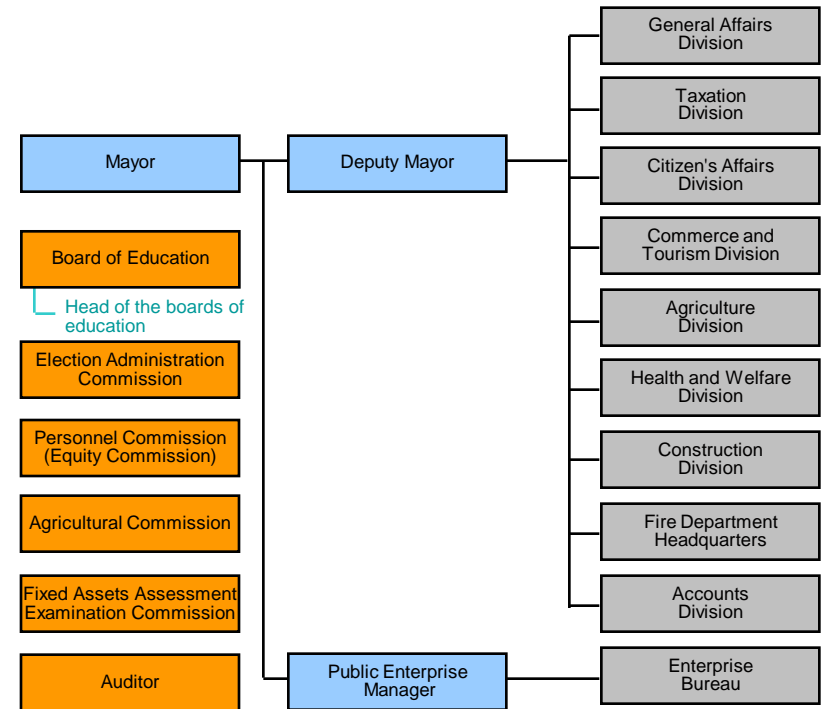
(Organizations of Prefectures and Municipalities)

- 1) Deputy Governors or Deputy Mayors are appointed by their governors or mayors with the consent of their assemblies with the four-year term of office.
- 2) Directors of departments or divisions, classified as general employees are appointed by their governors or mayors.
- 3) Members of Board of Education and other commissions are appointed by their governors or mayors with the consent of their assemblies.

Typical Administrative Organization of Prefecture



Typical Administrative Organization of Municipality



4 Division of Administrative Affairs

(Central Government / Local Government)

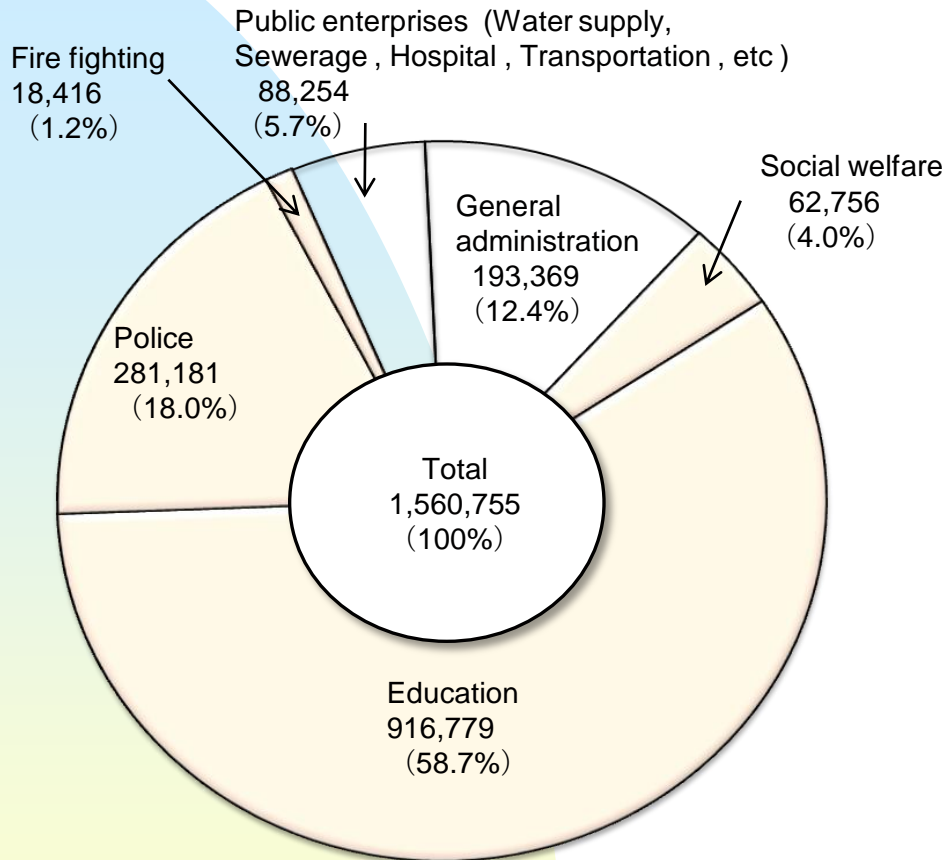
Fields		Infrastructure	Education	Welfare	Others
Central Government		<ul style="list-style-type: none"> ▪ Highways ▪ National Roads (Specified Sections) 	<ul style="list-style-type: none"> ▪ Universities 	<ul style="list-style-type: none"> ▪ Social Insurance 	<ul style="list-style-type: none"> ▪ Defense ▪ Diplomacy ▪ Monetary
Local Government	Prefectures	<ul style="list-style-type: none"> ▪ National Roads (Others) ▪ Prefectural Roads 	<ul style="list-style-type: none"> ▪ Senior High Schools ▪ Elementary and Junior High Schools (Salary and Personnel Affairs) 	<ul style="list-style-type: none"> ▪ Public Health Centers 	<ul style="list-style-type: none"> ▪ Police ▪ Passport
	Municipalities	<ul style="list-style-type: none"> ▪ Urban Planning (Zoning, Urban Facilities) ▪ Municipal Roads 	<ul style="list-style-type: none"> ▪ Elementary and Junior High Schools ▪ Kindergarten and Nurseries 	<ul style="list-style-type: none"> ▪ Garbage ▪ Human Waste Disposal 	<ul style="list-style-type: none"> ▪ Fire Defense ▪ Resident Registration ▪ Foreigner Registration

5 Election System

Candidates for Public Service	Term of Office	Number of Seats	Constituencies	Eligible for Candidates	Election franchise	Period for campaign
Members of the House of Representatives	Four years, with a dissolution system adopted	480 Single-seat constituencies: 300 Proportional representation constituencies: 180	Single-seat constituencies: 300 Proportional representation constituencies: 11 (6-29 seats for each)	25 years or older	20 years or older	12 days
Members of the House of Councilors	Six years, Half of the members are elected every three years.	242 Single-seat constituencies: 146 Proportional representation constituencies: 96	Constituencies: 47 (1-4 seats for each prefecture) Proportional representation constituencies: 1 (48 seats)	30 years or older	20 years or older	17 days
Prefectural Governors	Four years	1	—	30 years or older	Citizen of 20 years or older	17 days
Municipal Mayors	Four years	1	—	25 years or older	Citizen of 20 years or older	Designated cities: 14 days Other cities: 7 days Towns / Villages: 5 days
Members of Prefectural Assemblies	Four years	Provided for in the ordinance within the Local Autonomy Law (40 - 130 in accordance with the population)	city, ward or county (which covers multiple towns and villages)	Citizens of 25 years or older	Citizens of 20 years or older	9 days
Members of Municipal Assemblies	Four years	Provided for in the ordinance within the Local Autonomy Law (12 - 96 in accordance with the population)	None	Citizens of 25 years or older	Citizens of 20 years or older	Designated cities: 9 days Other cities: 7 days Towns / Villages: 5 days

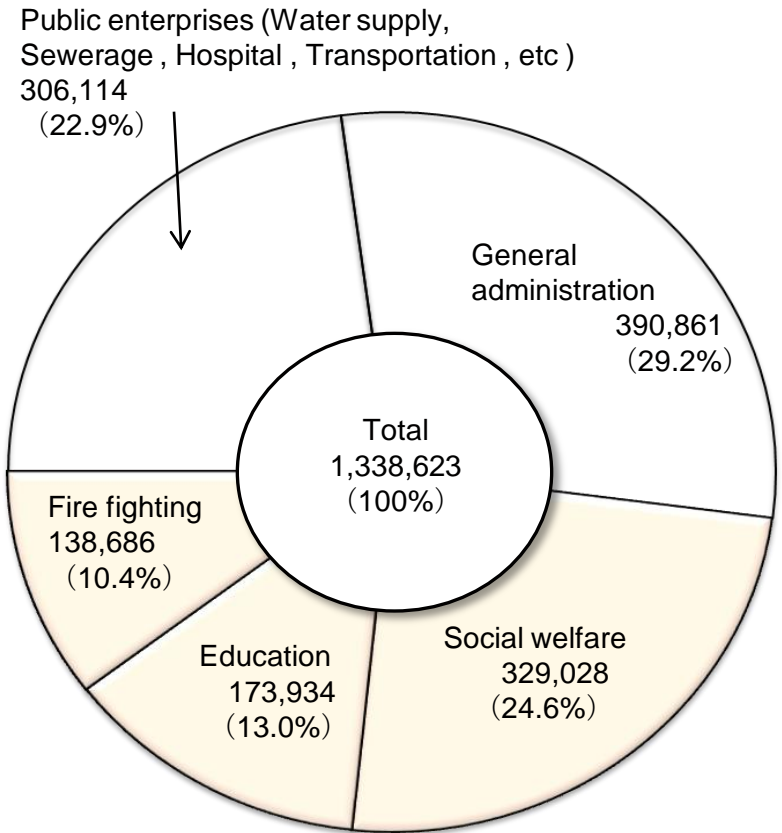
6 The Number of Local Government Staff

(1) Prefecture



Education, Police, Fire fighting,
Social welfare
1,279,132
(82.0%)

(2) Municipality

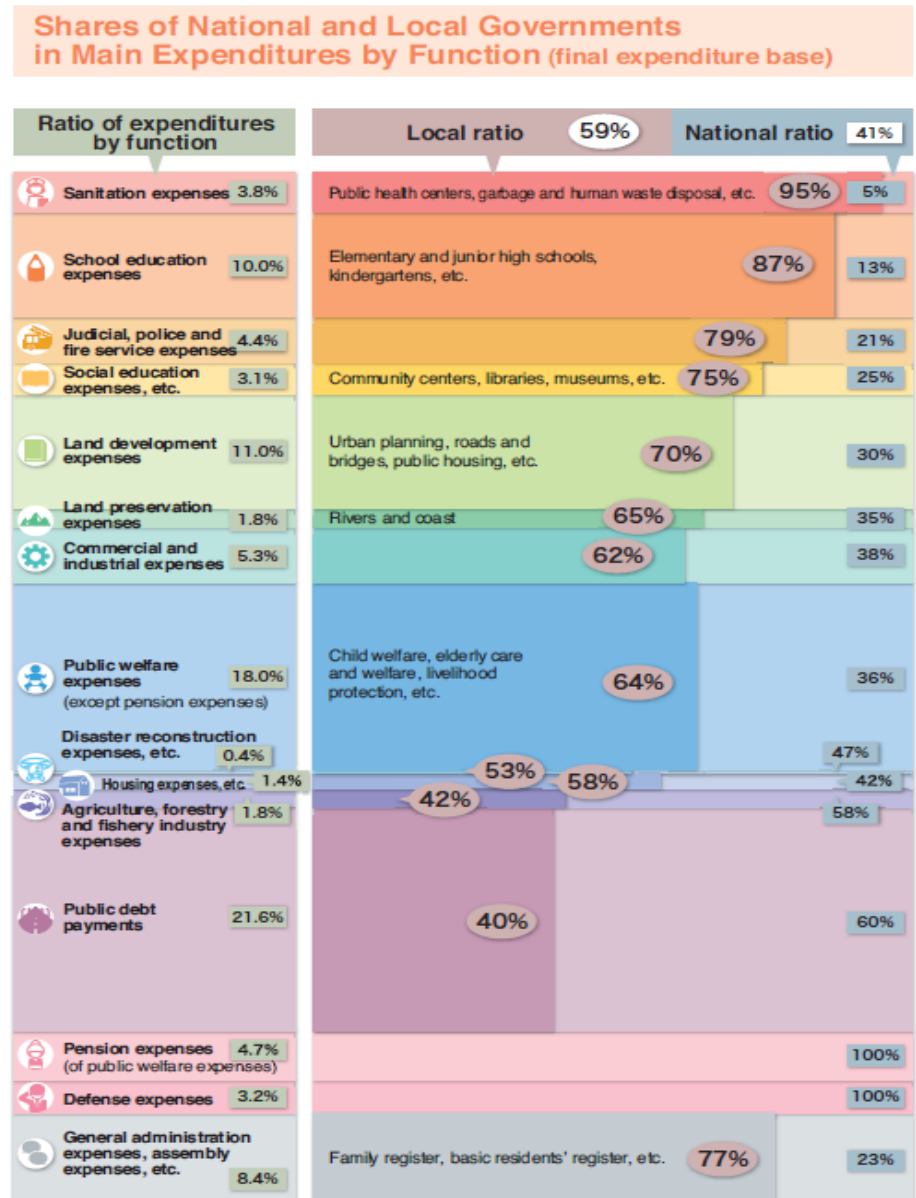


Education, Fire fighting,
Social welfare
641,648
(47.9%)

7 Local Government Finance

(Ratio of Expenditure by Function between the National and Local Government)

The area related to daily life such as public health and sanitation, school education, social education, police and fire services accounts for high percentage of local governments' annual expenditure.

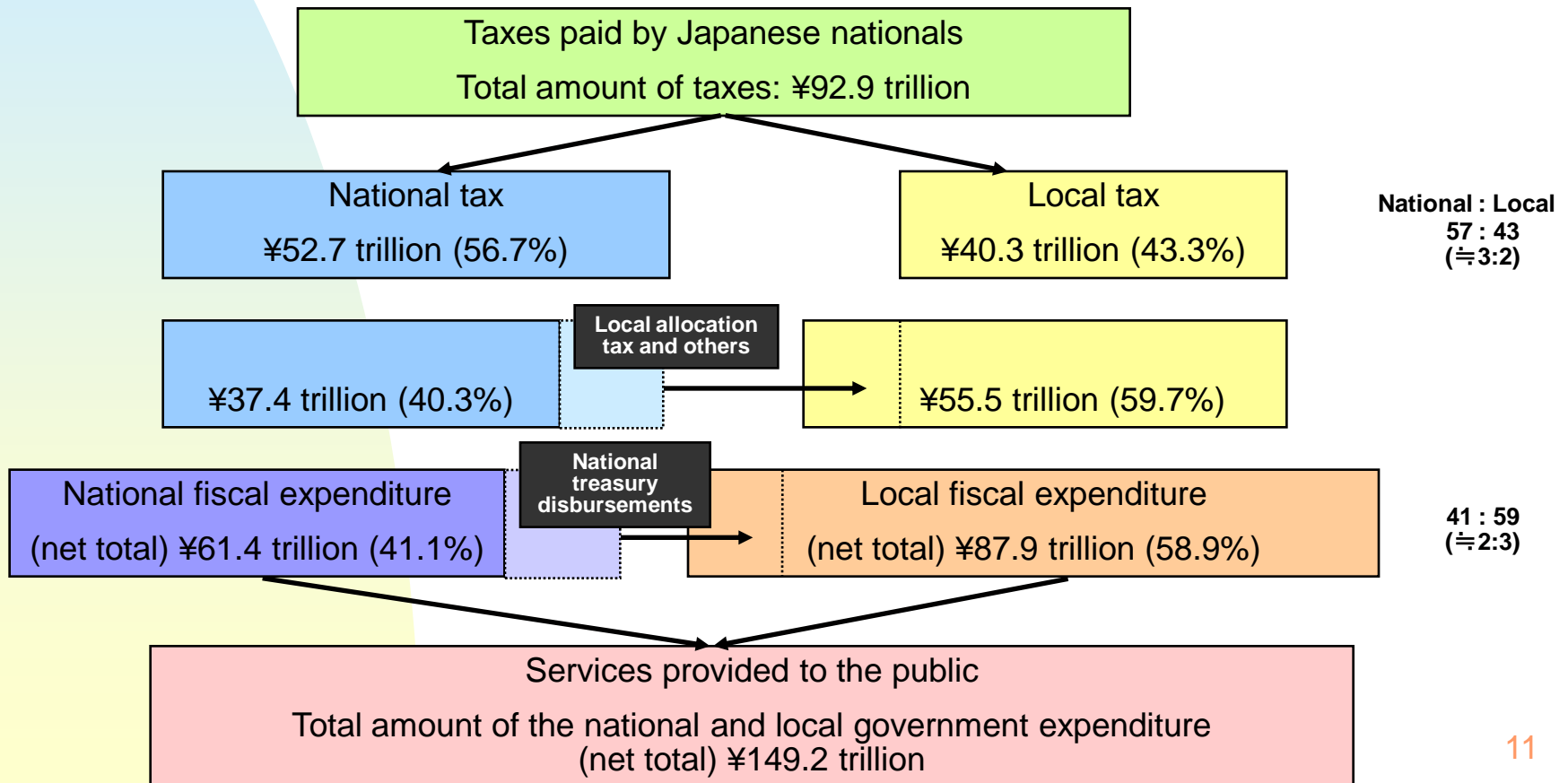


7 Local Government Finance

(Allocation of Financial Resources between the National and Local Government)

The ratio of the national government to local governments is about 3:2 in tax revenue. In contrast, the ratio in expenditure to local government is approximately 2:3. Accordingly, there is a wide gap between allocation of financial resources and that of expenditure.

Allocation of Financial Resources Between the National and Local Government (FY 2007)

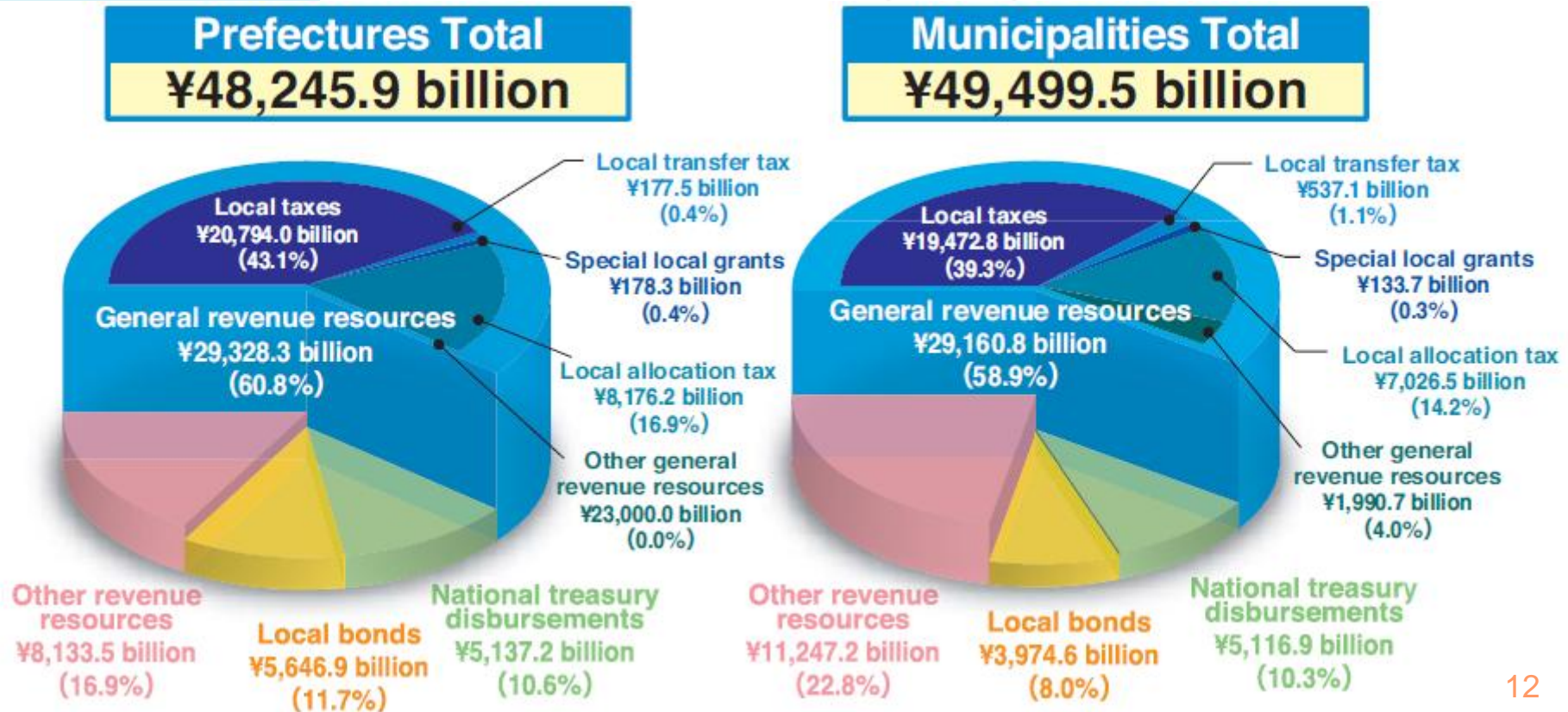


7 Local Government Finance (Revenues)

Local taxes account for about 40% of the revenue of local governments, followed by the local allocation tax grant, national treasury disbursements and local government borrowings.

- Local transfer tax : Fund collected as a national tax and transferred to local governments.
- Special local grant : A revenue source with the character of a substitute for local tax, introduced to supplement a part of the decrease of local tax caused by tax cut since FY 1999.
- Local allocation tax : An intrinsic local revenue source aiming at adjusting imbalances in the revenue sources of local governments and securing revenue so that each local government can provide public services for residents at the national minimum level.
- National treasury disbursements : Funds disbursed from the central government to local governments for specified uses.
- Local government borrowings (Local bonds): Borrowing of local governments not redeemed within the fiscal year.

Breakdown of Revenue (FY 2007)



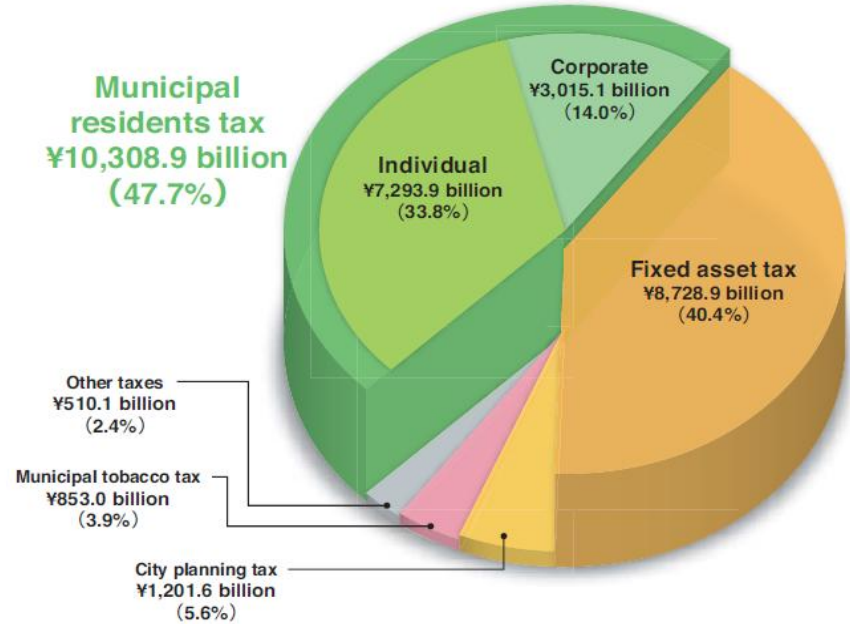
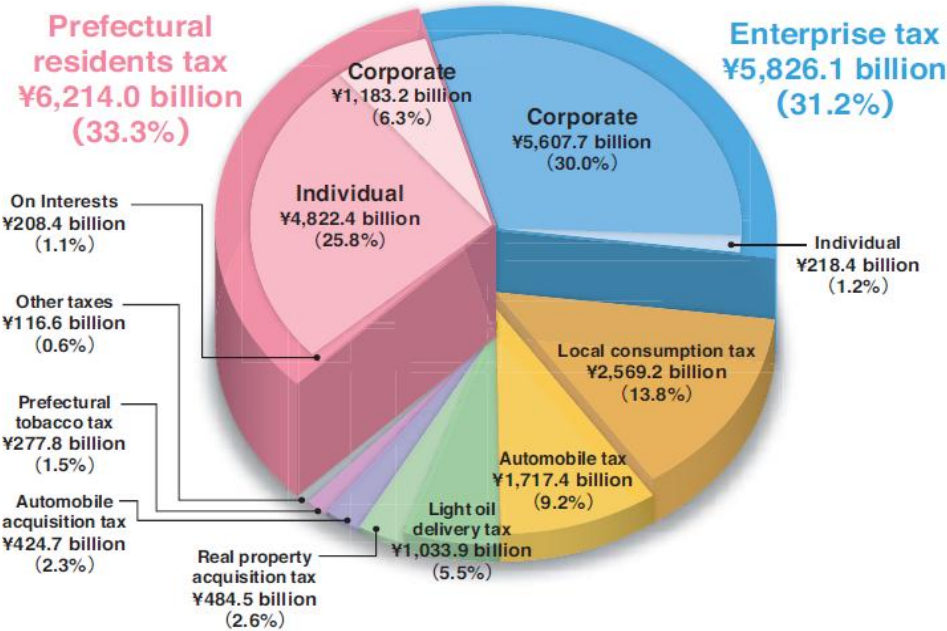
7 Local Government Finance (Local Tax)

Composition of Prefectural Taxes (FY 2007)

Composition of Municipal Taxes (FY 2007)

Total ¥18,664.2 billion

Total ¥21,602.6 billion



7 Local Government Finance

(Local Allocation Tax Grant)

- 1) The local allocation tax grant is an local revenue source aimed at adjusting imbalances in revenue sources among local governments and securing revenue so that each local government can provide administrative services at a standard level. Use of the local allocation tax grant is decided on initiative of each local government.
- 2) The total amount of the local allocation tax grant is predetermined ratios of five national taxes*, with an adjustment based on estimates of revenue and expenditure of local governments as a whole.
*32.0% of income tax and liquor tax individually, 34.0% of corporate tax, 29.5% of consumption tax, and 25.0% of tobacco tax
- 3) The local allocation tax grant is divided into the ordinary local allocation tax grant (94%) and the special local allocation tax grant (6%).
- 4) The ordinary local allocation tax for each local government is calculated by the following mechanism:
Local Allocation tax for each local government = Standard Financial Needs* - Standard Financial Revenues**
* Standard Financial Needs: Fiscal needs of each authority to provide certain level of service which is supposed to be covered by general revenue, which is calculated by the following formula:
Unit cost (standard government administrative costs per unit) × measurement units (population, area, etc.) × adjustment coefficient
** Standard Financial Revenues: Estimated the total general revenue of each authority.
- 5) The total amount of local allocation tax grant in fiscal year 2009 is approximately 15.8 trillion yen (approximately 158 billion dollar).

8 Decentralization Reform(1995-2000)

(Comprehensive Decentralization Law)

1. History of the Decentralization Reform

- ◆ The dissolution to promote decentralization was unanimously adopted by the diet in June, 1993.
- ◆ The Decentralization Promotion Law was promulgated in May 1995, and the Decentralization Promotion Committee was established in July.
- ◆ A series of (1st through 4th) recommendation reports on the decentralization policy submitted to the prime minister by an official study group from December 1996 to October 1997.
- ◆ The Cabinet decided the Decentralization Promotion Plan in May 1998.
- ◆ The Comprehensive Decentralization Law was promulgated in July 1999 (and took effect in April 2000).

2. Contents of the Comprehensive Decentralization Law

- 1) Clarification of the respective role of the central and local government.
 - ◆ Changing the hierarchical relationship between the central and local governments to the equal and cooperative one.
- 2) Abolishment of the system of delegated functions (which is an administrative system where the central government delegates some of its authorities to local governments, placing them on a organ of the central government within a scope of the delegated authorities.)
 - ◆ Local government functions were restructured into self-governing functions and statutory entrusted functions.
 - ◆ The system of local administrative officials dispatched by the central government was abolished.
- 3) Re-examination of the central government's involvement into local government.
 - ◆ The local Autonomy Law establishes the basic principles, the basic types and the procedures for the central government's involvement in local government policy, as well as the procedures for handling disputes concerning such involvement.
- 4) Promotion of the delegation of authority
 - ◆ Transfer of authorities from the central government to prefectures and from prefectures to municipalities
 - ◆ Creation of the "Special Case Cities System" where authority is collectively transferred to the cities with a population of 200,000 or more
- 5) Curbing obligations to set up organizations
 - ◆ In order to enhance efficiency in the administration of local governments, the obligation to strictly require the formation of certain secondary organs or placement of certain officers will be discontinued or relaxed.

8 Decentralization Reform(2001-2006)

(Reform of Finance & Tax System)

- 1) Final Report of the Decentralization Promotion Committee (June 2001)
The main issue of the next Decentralization Reform is how financial resource and tax resource of local government is secured.
- 2) A lot of discussions are held in the meetings of the Council on Economic and Fiscal Policy (June 2001 – June 2003).
- 3) Basic Policies for Economic and Fiscal Management and Structural Reform for 2003 (June 2003)
The reform package of three issues (so called “Trinity Reform” or “Triangle Reform”) will be promoted to achieve the fundamental objective of local autonomy, which is to further allow local government authority to make its decisions on its initiative.
- 4) Basic Policies for Economic and Fiscal Management and Structural Reform for 2004 (June 2004)
The proportion of expenditure to be covered with local government’s own authority, responsibility and financial resource will be increased, and, in addition, the complete picture of the Trinity Reform (the reform package of three issues) will be clarified in autumn of 2004 with a view to constructing a simple and efficient system of administration and finance for both the central and local governments.
- 5) The complete picture of the Trinity Reform (the reform package of three issues) to be implemented up to the fiscal 2006 (Agreement between the government and the ruling parties of November 2004)
 - Reform of national subsidy to local governments
 - Abolishment and reduction of national subsidies to local government will be made by around 3 trillion yen.
 - Transfer of tax revenue sources from the central to local government
 - The target amount is about 3 trillion yen by way of transfer of tax resource from the income tax of the central government to local inhabitant tax.
 - Reform of the local allocation tax
 - The total amount of general revenue sources such as local allocation tax grant, local taxes and so forth, necessary for the stable fiscal operation, will be secured.
 - Increase in the disparity in financial capability among local governments caused by the transfer of tax revenue sources will be avoided, and smooth fiscal operation and change of the systems will be secured.

8 Decentralization Reform (Municipal Mergers)

1) Numbers of Municipalities

1889: 71,314 (before The Big Merger of the Meiji era)

1890: 15,859 (Enactment of municipal system / The Big Merger of the Meiji era)

1953: 9,868 (Enactment of the Promotion Law for Municipal Mergers)

1956: 4,668 (The Big Mergers of the Showa era)

1999: 3,229 (Amendment of the Special Mergers Law)

2009: 1,777 (as of April 1)

2) Purpose of the Present Municipal Merger Promotion

1. Promoting of Decentralization
2. Responding to aging of society
3. Responding to diversifying needs of citizens
4. Responding to expansion of residential area
5. Streamlining municipal administration

3) Present Situation of the Municipal Mergers

○ Achievement of municipal mergers

3,229 (April 1999) \implies 1,777 (April 2009): reduced by 1,452 (-45%)

○ Scheduled mergers in the future

to 1,760 municipalities (by March, 2010)

9 Further Reforms Towards Decentralization

1. Basic Policy for Economic and Fiscal Policy Management and Structural Reforms for 2006

(decided at a cabinet meeting on 7 July 2006) (extract)

- ◆ Through an overall review of related laws, the new division of responsibilities between the national government and local governments will be set out and the national government's involvement in local governments' policies and subsidies to local governments will be eliminated or reduced to promote decentralization.
- ◆ Local taxation system will be under a comprehensive consideration including a review to division of tax resource between the central government and local governments, together with review to local allocation tax grant and national subsidy, taking into account financial condition in both the central government and local governments

2. Outline of the Decentralization Reform Promotion Law (effective from 1 April, 2007)

1) Basic Principles

With the goal of creating distinctive and dynamic local communities, through

- * clarifying the division of roles between the national and local governments and
- * enhancing the autonomy and independence of local authorities,

an administrative management based on local authorities' own judgment and responsibility will be promoted.

2) The Decentralization Reform Promotion Plan

The government will draft the Decentralization Reform Promotion Plan in order to establish the necessary legal and financial measures to promote decentralization reform.

3) The Decentralization Reform Promotion Committee

The Decentralization Reform Promotion Committee will be established in the Cabinet Office and composed of seven members.

The Prime Minister will appoint the members after getting approval from both houses of the Diet. The committee will recommend a specific guideline for the Decentralization Reform Promotion Plan.

4) Duration of the law

Until 31 March, 2010 (temporary legislation)

10 “Doshusei” Regional System

1. Basic Policy for Economic and Fiscal Policy Reform for 2007 (decided at a cabinet meeting on June 19, 2007) (extract)

- To draw up the “Doshusei High Vision” plan for the introduction of a full-scale “Doshusei” regional system.
- To complete an interim report on the issues regarding the principle and framework at the “Doshusei Vision Meeting” for drawing up the “Doshusei High Vision.”

2. Points in the “Doshusei” Vision Meeting Interim Report (March 24, 2008)

- Principle of “Doshusei” Regional System
 - Toward “a new shape of country”, adopting to the current situation
 - From a centralized to a decentralized country-
“Doshusei Regional Autonomy Model”
- Review of Division of the Responsibilities among the Central Government, “Doshu” Regional Governments and Municipal Governments
 - The central government’s roles: 1) to conduct international affairs, 2) to draw up a national strategy, 3) to maintain the country’s infrastructure, 4) to set up a standard that should be a nationally unified one
 - The “Doshu” regional government’s roles: 1) to arrange broad regional governance, 2) to establish standards, 3) to adjust the fiscal disparity among municipalities
 - The municipal government’s roles: to provide public services closely tied to the community
- Matters to be taken into consideration for creating each “Doshu” region.
 - 1) an economically and financially independent scale, 2) geographical unity with sense of belonging for residents, 3) commonality of history, cultural and customs, 4) conditions of exchanges in daily lives and economy

-> Aiming at an introduction of the “Doshusei” Regional System in around 10 years