Decentralization in Japan: Negotiating the Transfer of Authority

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Introduction

On 8 July 1999 the Japanese Diet passed amendments to 475 existing laws in order to implement a set of measures designed to promote the decentralization of power from central to local government. Decentralization (chihō bunken) is viewed as a prescription for the ills facing contemporary Japanese governance. The degree of decentralization that actually takes place will be a key indicator by which to measure the relative success of the 1990s reform agenda. This paper provides an outline of the recent steps taken to promote decentralization in Japan. It seeks to ascertain what exactly is being decentralized and from where to where. Moreover, it addresses the issue of how best to evaluate the results of decentralization and what standards or criteria to apply. It is important to note at the outset that the proposed changes in central–local government relations are taking place within a framework of more extensive administrative and fiscal reforms. According to former Prime Minister Obuchi, the ongoing administrative reforms will result in reduction of the number and size of central government ministries and agencies, decentralization, deregulation, information disclosure (new law enacted in May 1999), political reform and a code of ethics for the civil service.

The current round of decentralization reform can be understood as a ‘top–down’ or ‘centre-driven’ revolution that began with proposals initiated by the national elite. These proposals were taken up by a number of political parties who decided the fundamental direction of decentralization reform. The Decentralization Promotion Law (DPL) was enacted in 1995 and specified three key objectives. First, the roles

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1 The author is currently a Program Coordinator at the United Nations University/Institute of Advanced Studies. The views expressed in this article are those of the author and in no way represent those of his employer. Regarding the names of Japanese people in this article, Japanese surname-first order has been used, with two exceptions: the names of prime ministers are given as they normally appear in the English-language media (including omission of macrons); and where an author’s name has been rendered surname-last in connection with a piece published in English, it is given in that order in citations appearing below.


4 Prime Minister Keizo Obuchi, Policy Speech to the 143rd Session of the Diet.

5 This is not the first time that decentralization has emerged as a key issue in Japanese politics. Indeed, over the past 50 years the processes of centralization and decentralization have generated a ‘pendulum effect’. Tsuijyama Yukinobu et al., ‘Chihō bunken tsūshin keikaku o dō yomu ka’, Chihō Jichitai Journal, 20:230 (1998), pp. 4–35.
of central and local government need to be better clarified and responsibilities divided accordingly. Second, measures should be developed to promote revitalization of regional communities throughout Japan. Third, effective measures should be developed to increase the independence and self-reliance of local authorities. Under the DPL, central government was given responsibility to comprehensively review the institutional changes required in order to promote decentralization (i.e. amendments to legislation, transfer of authority, budgetary considerations and so on). Local government was required to promote measures to improve its operational efficiency and, at the same time, make preparations to deal effectively with the new responsibilities it is likely to receive.\(^6\) In order to achieve these objectives, a multifaceted strategy was instituted involving a detailed review of the current state of central involvement in and control of local affairs and a case-by-case evaluation of whether or not to transfer authority.\(^7\)

**Defining Decentralization**

As in many countries around the world, the debate on decentralization in Japan has been somewhat antagonistic.\(^8\) On the one hand, local government leaders have criticized the over-concentration of authority and financial control in the hands of central government officials. They have called for the delegation of powers and curtailment of central interference in local affairs.\(^9\) On the other hand, representatives from the central administration have criticized local government for its poor handling of public finances and low quality of personnel. They argue that local government is incapable of filling the ‘vacuum’ created by decentralization reform.\(^10\) In part, this antagonism relates to the broad range of contemporary perceptions of what constitute the most appropriate forms in intergovernmental relationships, power sharing and decentralization.

Put in its simplest form, decentralization implies movement away from the centre and relates to an array of issues including political, administrative and economic power, financial autonomy, local democracy and cultural diversity. The degree of decentralization can be measured on a scale from nominal to radical, with the preferred extent of change conditioned by a number of factors including the ideological perspectives of those pursuing reform and the magnitude of opposition. However, understanding what is meant by the term ‘decentralization’ is made more difficult because of the plethora

\(^6\) For those readers unfamiliar with the situation in Japan, the local government system is broadly organized into two tiers—prefectures and municipalities. The first tier of local government is composed of 47 prefectures and 13 designated cities. The second tier is made up of 17 core cities and over 3000 smaller cities, towns and villages. The organization of the first tier is generally uniform, with the exception of the capital city where Tokyo Metropolitan Government is invested with powers similar to those of a prefecture and is supported by a lower tier that is constituted by 23 special wards, 27 cities, five towns and eight villages. Each ward has its own elected mayor and assembly.

\(^7\) Intriguingly, the DPL will become void in July 2000 on the assumption that a tight deadline was required to guarantee progress and that five years is a sufficient period for the effective implementation of the necessary reform measures.


Decentralization in Japan

Table 1. Definitions of decentralization and related concepts

<table>
<thead>
<tr>
<th>Decentralization: two basic modes</th>
<th>Deconcentration/delegation: transfer of responsibilities from central ministries to field offices and autonomous agencies.</th>
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<tr>
<td>(1) administrative decentralization — responsibility is transferred from central to lower levels of government, thereby giving them more managerial discretion, but not necessarily financial independence. Local government remains subordinate to central authority; and (2) political decentralization—authority transferred to democratically elected lower levels of government. Local government is placed on equal footing with central government and financial autonomy is increased.</td>
<td>Consequently, service provision is brought closer to citizens while remaining part of central government. The heads of these field offices/agencies are generally unelected and are given a certain amount of discretionary power.</td>
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Devolution and localization: local government is given the power to independently develop projects and programs. Local control over revenue and capital expenditure is increased. Restrictive rules governing organizational structures, staffing, budget utilization, revenue raising and contracting-out are removed.

Subsidiarity, community participation and empowerment: implies that political decisions should only be taken at a higher level of government when absolutely necessary. When justification is not possible, the decision-making power shifts to the lower tier of government until it reaches those 'most affected' by the decision. This relationship can also apply to local government and its community.

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[b] The OECD has described central–local relations in Japan as an ‘agency relationship’ wherein local government assists with the implementation of national policies by adapting them to local circumstances.


of definitions and synonyms (see Table 1). With all these differing interpretations, it is obvious that decentralization can easily be promoted as an attractive panacea by interest groups from all sides of the political spectrum.

In Japan, the decentralization debate has clearly been split along ideological lines between the neo-liberals and the social democrats. While appreciating that this may be something of an oversimplification, the various objectives and concerns related to decentralization as perceived by these groups are presented in Table 2. In negotiating the form of decentralization, these groups recognize the need to guard against proposals that are, from their perspective, likely to further exacerbate rather than resolve Japan’s contemporary ills. However, examining the objectives presented in Table 2 more

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11 Shigemori Akira, ‘Chihō bunken to zei zaigen mondai’, in Chihō bunken no yugami, pp. 34–41. The neo-liberals include, but are not exclusive to, leading thinkers from the Liberal Democratic Party, other rightwing political parties, some central government bureaucrats, academics and business leaders. The social democrats mainly include representatives from a number of political parties (the Japan Socialist Party, Kōmeitō, the Democratic Party, etc.), some local government leaders, trade unionists and academics.
Table 2. Alternative political perspectives on decentralization in Japan (based on Shigemori, ‘Chihō bunken to zei zaigen mondai’, p. 34)

<table>
<thead>
<tr>
<th>Neo-liberals</th>
<th>Social democrats</th>
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<tr>
<td><strong>Objectives</strong></td>
<td><strong>Objectives</strong></td>
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<tr>
<td>Increased administrative efficiency</td>
<td>Maintenance of minimum standards of services</td>
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<tr>
<td>Deregulation</td>
<td>Transfer authority and financial resources from central to local government</td>
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<tr>
<td>Competition between, and merger of, local authorities</td>
<td>Address current imbalance in capabilities between local authorities</td>
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<tr>
<td>Restoration of public trust</td>
<td>Enhance citizen participation</td>
</tr>
<tr>
<td><strong>Concerns</strong></td>
<td><strong>Concerns</strong></td>
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<tr>
<td>Weakening of the governmental system</td>
<td>Burdens on local authorities will increase without additional support</td>
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<tr>
<td>Loss of uniformity in service provision</td>
<td>Efficiency could be used as tool to cut personnel and privatize services</td>
</tr>
<tr>
<td>Extensive public participation could slow development</td>
<td>Local authorities could deviate from national standards</td>
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<tr>
<td>Increased local expenditure</td>
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<tr>
<td>Local administrations dominated by local interests</td>
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closely, some commentators have argued that the neo-liberals may in fact be pursuing an agenda that is ‘anti-local-government’.\(^{12}\)

Social democrats, on the other hand, recognize that the ability of localities to tackle the problems they face may be inherently tied into the decentralization of both authority and financial resources.\(^{13}\) As such, the social democrats in Japan have remained cautious about the current round of decentralization reforms. At the same time, some neo-liberals remain opposed to the whole idea of decentralization. For instance, it has been argued that decentralization represents a shift away from a society which emphasizes equal access to public services and the equitable sharing of the burdens of paying for them, toward a society which gives priority to the expressed preferences of individuals. They are also concerned about the financial implications of decentralization and argue that for those local authorities lacking the ability to raise revenues, decentralization may mean ‘freedom to go bankrupt’.\(^{14}\) Nevertheless, these dissenting voices appear to be in the minority and the general consensus, at least from the early 1990s, is that Japan needs to create a more decentralized system of government, broadly defined.

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\(^{13}\) In a 1998 survey of local government leaders in Japan, 40.3% indicated that social welfare issues were by far the most significant problem facing local government. Solutions to these issues need to be pursued through innovative approaches to budgetary acquisition since 64.9% of all leaders also indicated that lack of financial resources was the most significant factor limiting their ability to take action. Reported in Kyōdō Tsūshinsha, Zenkoku jichitai toppu ankeito ‘98 (Tokyo: Kyōdō Tsūshinsha, 1998), p. 36.

Figure 1. Main forms of central control over local affairs [based on Namikawa Shino, *Zukai gyosei kaikaku no shikumi: ‘Kasumigaseki’ kaikaku kara chihō bunken made* (Tokyo: Tōyō Keizai Shimposha, 1997), p. 93].

**Need for Decentralization Reform**

Figure 1 shows the main forms of central control over local government affairs under three categories—authority, finances and human resources. Over the past 50 years, these measures have been increasingly applied by central government in order to influence and control the activities of local government. The available information indicates a trend toward increased centralization over this period. A few key examples of increased central control are presented below.

- Delegated functions (or more specifically ‘agency-assigned functions’—*kikan inin jimu*) are particularly controversial since central government can assign them to local government, which then acts as an agent of central government. The local assembly has limited influence over the implementation of these functions.\(^{15}\) A total of 128 assigned functions were originally set out in the Local Autonomy Act. This had risen to 327 by 1980 and 561 by 1995.\(^{16}\)

- Local government can enact ordinances within the limits of national law. However, each time a local authority attempts to enact an innovative policy, the concerned ministry can argue that the ordinance conflicts with national law and is therefore illegal.\(^{17}\) It has been common practice for local government to confirm with the relevant ministry that any ordinance enacted is *intra vires*.\(^{18}\)

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\(^{15}\) Akizuki, ‘Decentralization, Local Government and New Approaches For Governance’, p. 2


\(^{17}\) Namikawa, *Gyōsei kaikaku no shikumi*, pp. 48–50.

\(^{18}\) In cases where central and local government are in dispute regarding the legal ramifications of an ordinance the affair is normally settled through the courts. The dominant legal interpretation in these cases
Central government collects the greater part of tax revenue in Japan (62% in 1995). Local authorities through the independent local taxation system collect the remainder. The greater part of local government spending is funded from local reallocation tax and program- or project-specific financial transfers from the central treasury. In 1995, for instance, roughly 46% of the national tax revenues were transferred to local government through various measures.

Central interference in local affairs (kuni no kanyo) takes place in various forms. The most recent survey indicates over 3333 instances in 1995 of central government involvement at the local level. In addition, there were 10,000 cases in 1985 where central government licensing and approval was required of local governments, increasing to 10,983 in 1996.

Central government places a large number of its staff in local government in order to, amongst other things, more closely monitor their activities. In 1996 there were 1197 central government officials working in local government. This is supplemented by the retirement (amakudari) of national government officials to positions in local public organs. Also in 1996, 26 governors and 24 vice-governors were former central government officials.

In the face of these centralizing tendencies, it is easy to understand why administrative reform, including the decentralization of greater powers to local government, has been high on the Japanese political agenda for decades (see Table 3). A new climate of central–local relations first began to emerge in the 1980s, and at the national level this debate took place in the First, Second and Third Provisional Councils for the Promotion of Administrative Reform (PCPAR). In particular, one subcommittee of the Third PCPAR dealt specifically with the issue of local government reform. The then governor of Kumamoto Prefecture, Morihiro Hosokawa, was a member of this subcommittee. When Hosokawa took office as Prime Minister in August 1993, he brought forward many of the PCPAR’s recommendations in a Cabinet Decision issued in February 1994 entitled ‘Fundamental Principles for the Future of Administrative Reform’. Following this decision, a working group on decentralization was set up in the Headquarters for the Promotion of Administrative Reform in May 1994, and work began on the drafting of a new law to promote decentralization. Based on proposals made by this working group, the Cabinet approved a document entitled ‘Fundamental Principles Regarding the Promotion of Decentralization’ on 24 December 1994. The bill, based on these principles and including a provision for the establishment of an independent Committee for the Promotion of Decentralization (CPD), was presented

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Footnote 18 continued

has been to allow ordinances in areas not covered by national law when (a) they regulate the same activity covered by the law but for different purposes and (b) when they regulate different activities for similar purposes.

19 In 1998 local reallocation tax accounted for ¥15 trillion up from ¥9.7 trillion in 1988. Moreover, central subsidies to local government in 1998 were estimated at ¥300 billion.

20 Kyōdō Tsūshinsha, Zenkoku jichitai topu ankeito ‘98, p. 93.

21 Shirafuji et al., Chihō bunkens no shōten, p. 228.

22 Namikawa, Gyōsei kaikaku no shikumi, p. 52.

23 Ibid., p. 103.


25 The Committee heard a wide range of opinions including those of the 24th Local Government System Investigation Commission and related central ministries and agencies. A summary of opinions was prepared in November 1994.
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Table 3. Main stages in the decentralization of authority in Japan

<table>
<thead>
<tr>
<th>Stage</th>
<th>Description</th>
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<tbody>
<tr>
<td>June 1993–May 1995: political transition</td>
<td>Diet adopts a resolution in support of decentralization; collapse of the LDP and emergence of pro-decentralization Hosokawa administration.</td>
</tr>
<tr>
<td>May 1996–October 1997: backtracking</td>
<td>Resistance from central ministries and other interest groups causes the CDP to pull back from earlier recommendations.</td>
</tr>
<tr>
<td>July 2000–onwards: implementation stage</td>
<td>Amendments take effect and transfer of authority to local authorities begins.</td>
</tr>
</tbody>
</table>

To the Diet by the Murayama administration in February 1995. The bill was debated and partially amended in both the lower and upper houses. In Diet deliberations, there was some discussion on the need to ensure that the rationalization of central and local government powers would bring about greater local autonomy.

How was it possible to bring about this shift in the reform process from endless discussion on the need for decentralization to actual implementation of legislation? The following factors may in part explain this ‘sea change’. First, the need for reform took on increased urgency after the collapse of the bubble economy and with the advent of the ensuing recession. Second, local government itself changed in character during the 1980s and early 1990s. In part this was in response to a number of societal, demographic (ageing population) and technological changes that call for diverse client-based solutions and services and which appear to undermine the current central emphasis on uniformity. Third, public attitudes toward the administration were adversely influenced by a string of scandals involving politicians, civil servants and the financial sector. In July 1993, the Liberal Democratic Party (LDP) lost its hold on power for the first time since it was established in 1955. In the campaigns running up to the July elections, the opposition parties (Japan Socialist Party, Kōmeitō, Minshūtō and the New Japan Party) all placed emphasis on the importance of implementing decentralization measures. Indeed, when Hosokawa took office immediately thereafter he was able to take advantage of these election pledges in pushing through his decentralization agenda. This was then taken forward by Tomiichi Murayama when he took office with a Socialist/LDP coalition in June 1994. In effect, the political turmoil and systematic breakdown of the LDP’s tight institutional and political control in the early 1990s created conditions that allowed experienced pro-local-government politicians like Hosokawa and Murayama to briefly dominate national politics. During their terms of office, they set up the framework for decentralization and the deliberation mechanism designed to formulate detailed measures.

Process of Deliberation

Following the passage of the DPL, the Committee for the Promotion of Decentralization (CPD) was established within the Prime Minister's Office. Membership of the CPD was determined by Prime Minister Murayama and approved by the Diet. Murayama selected a chairperson from the private sector supported by six other Committee members from academia and local government (including two former governors and one former mayor; see Figure 2). The Committee members were of a liberal persuasion, largely in favour of both government reform and decentralization. The composition of the Committee received endorsement from the heads of local government.28

The mandate of the CPD required that it provide advice to the Prime Minister on decentralization issues and examine the feasibility of:

- abolishing agency-assigned functions;
- reducing central government’s ability to control certain duties undertaken by local government;
- restricting central government involvement in local affairs and adjusting the legislative relationship between national and local government; and
- transferring tax sources and revenues from national to local government in order to increase independent local management.

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28 Ibid., p. 3.
The CPD was given powers to conduct investigations and deliberations on basic matters related to decentralization. The Committee was also authorized to request materials directly from the heads of national and local government. Based on the findings of this consultation process, the Committee had to produce a set of recommendations. The Prime Minister was then required to take these recommendations into account and report to the Diet (see Figure 3). Finally, the CPD was called upon to monitor the status of policy implementation based on the Decentralization Promotion Plans and report its evaluation to the Prime Minister. In the period July 1995 to April 1999 the CPD held over 200 meetings. In addition, a considerable number of hearings were undertaken with representatives from the national ministries, local government associations and other groups.\(^{29}\)

Over this three-year period, the Committee produced an Interim Report and five sets of recommendations on a range of issues. The Interim Report was a rather ambitious document highlighting the need for several important proposals. However, these proposals were markedly weakened in later reports and in the implementation plans prepared by the bureaucrats, as will be discussed later (Table 4). From October 1995, the CPD gradually enlarged its structure to include two subcommittees and three

\(^{29}\)For instance, in June 1996 the CPD held one-day meetings at venues throughout Japan (including Kōbe, Kōchi, Ōita and Fukushima) in order to gauge public sentiment regarding decentralization. Asahi Shinbunsha (Ed.), *Chiho bunken no ashioto—arata na jichi o mezashite* (Tokyo: Kōji no tomosha, 1997), p. 43.
TABLE 4. Review of CPD recommendations

Authority
Delegated functions: power of central government preserved in a wide range of ‘disputed’ areas including social security and environmental conservation. CPD’s Interim Report recommended abolition of agency-assigned functions. However, resistance from central ministries and agencies resulted in CPD stepping back in the Second Recommendation Report to a more conservative proposal that involved abolition of around 60% of assigned functions. The remainder of these functions would be retained under the condition that the rules underpinning central control are clearly specified in national legislation.

Judicial review: legislative advantage of central government has been maintained. If local governments do not act in accordance with ministerial decisions, then they are in effect acting illegally. In cases of conflict between the two tiers, the central ministries have decided that they will not refer to the newly established ‘Central–Local Dispute Resolution Committee’.

Financial resources
The system of grants and subsidies was criticized as inefficient and duplicative in the CDP’s Interim Report. It was recommended that the system be remodelled into a blanket grant system. Measures to increase local tax revenue were also proposed. However, in the Second Recommendation Report, the CPD failed to introduce measures that would ensure greater local financial autonomy. Instead, the CPD recommended that in the medium to long range future it would be necessary to examine how to redistribute taxation between the central and local government. No firm proposals were made, with blame placed on the current ‘national financial crisis’. It was argued that this redistribution would need to be accompanied by consideration of how to streamline local government so as not to increase the tax burden.

Human resources
No recommendations were made to change the system of central government transfers to local government.

working groups.30 Upon completion of detailed investigations by the subcommittees, the CPD submitted its First Recommendation Report to the Prime Minister in December 1996. The Prime Minister’s Office reviewed the report and a Cabinet Decision was passed calling for the inclusion of the recommendations in the broader administrative reform program. Moreover, work began on the preparation of the first Decentralization Promotion Plan (DPP) and a Liaison Council for Promotion of Decentralization (LCPC) was convened for this purpose. This consisted of high-ranking officials from all ministries and agencies brought together to evaluate measures that could be implemented in the 1997 financial year without waiting for the finalization of the plan.

Subsequently, the CPD submitted a Second Recommendation Report in July 1997. As mentioned previously, the recommendations contained were a significant step back from those proposed in the Interim Report. A third set of recommendations was published in September 1997, followed by the fourth report one month later in October. Essentially, the character of the decentralization reform program was as presented in the first two sets of recommendations.31 Following a Cabinet Decision in October 1997, work on the First DPP entered the final stages. This plan was completed in May 1998 for submission to the Diet. At the request of the Prime Minister, the CPD continued working on recommendations related to the degree of authority and financial resources to be handed over to local governments. The Fifth Recommendation Report from the CPD was submitted to the Prime Minister in November 1998 and dealt with

30 Interestingly, all of these working groups included former central government officials.
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the relationship between national and local government with respect to the funding and implementation of public and non-public works.

Resistance to the CPD’s Recommendations

The CPD’s recommendations represent significant progress with decentralization in four key areas:

- redesign of the delegated functions;
- redistribution of the above functions to either local government or central government;
- establishment of rules and criteria governing the form and extent of central involvement in local affairs; and
- establishment of mediation procedures in the cases of disputes between local and central government.

In compiling these recommendations the CPD was required to manoeuvre through a complex maze of opinions. Various interest groups were determined to shape the outcome of these negotiations. By far the most significant resistance came from central government and there were allegations of pressure placed upon CPD members to back down from their proposals. One example relates to the actions of the Ministry of Health and Welfare (MHW) which in April 1996 encouraged a local health official in Toyama City to express concern to the Committee members about recommendations made in the Interim Report. The CPD members’ complaints of ministerial pressure met with a response from the MHW that it was merely seeking to better explain its position.32 Both the Environment Agency (EA) and MHW tried to limit the impact of the decentralization measures included in the DPP. Unlike many ministries, the EA and MHW do not have regional branches and were thus concerned that their position could be weakened vis-à-vis local government. Other central ministries also resisted the CPD’s recommendations. For instance, the Ministry of Construction (MoC) contested the CPD’s city planning-related recommendations.33 Ultimately, the Ministry of Finance proved to be the most significant obstacle to the CPD’s work and undermined the efforts to review the financial arrangements between central and local government.34 As a result the Committee made only limited progress with the reform of the subsidies system and no progress in relation to the issue of taxation.

The CPD was thus required to undertake extensive hearings with these ministries in order to explain the recommendations and their potential implications. It is also important to recognize that procedurally, after completion of the CPD’s recommendations, the task of compiling the First DPP was in the hands of the central officials. As a result, the language used in the First DPP differed substantially from that presented in the CPD’s recommendations.35 The overall impact was a gradual weakening of the recommendations. For instance, whereas the CPD established certain measures as a ‘general rule’ (gensoku), in the First DPP this was changed consistently to ‘as far as

32 Kyōdō Tsūshinsha, Zenkoku jichitai topu ankeito’98, p. 58.
33 Takeuchi et al., Chihō bunken no ashioto, pp. 130–133.
34 Ibid., pp. 221–223.
35 Ichihashi Katsuya, ‘Chihō bunken to hōkōzō no henshitsu’, in Chihō bunken no yugami, pp. 27–33.
possible’ (dekiru kagiri). Moreover, instead of listing in detail the various measures required, the First DPP is littered with the expression *nado* in Japanese, which means ‘et cetera’.

The intensity of central government resistance may also relate to the fact that decentralization measures are being implemented side by side with the plan to transform the present 22 ministries and agencies into one Cabinet Office and 12 ministries/agencies.\(^{36}\) In this context, for some ministries, the reform process is a battle for survival likely to be characterized by inter-ministerial fighting with losers and winners. Consequently, this central resistance to decentralization essentially redirected the implementation of the reform proposals to an anti-local-autonomy (*han chihō jichi teki*) stance.\(^{37}\)

The central officials were not the only ones responsible for bringing about this change in direction. As previously mentioned, Prime Ministers Hosokawa and Murayama played a significant role in shaping the initial tone of the decentralization debate. Likewise, the conservative Prime Minister Ryutaro Hashimoto was instrumental in undermining the authority of the CPD and shifting control over the decentralization reforms to the central officials with his comment in November 1996 to the effect that the decentralization program need not be perfect but should be realistic and implementable.\(^{38}\) As a result of this remark, from that time onward the initiative shifted away from the CPD (striving for more ambitious reform) and to the central ministries (favouring modest yet realistic changes).\(^{39}\)

### Decentralization Promotion Plans

The First DPP was approved by the Cabinet in May 1998 and included measures to replace the delegated function system with a recategorization as follows:\(^{40}\)

- **local administrative functions** (*jichi jimu*): local government given full authority for 398 functions (see Figure 4 for a detailed breakdown of how these numbers are derived) such as approving city plans, designation of agricultural promotion areas, and the issuance of permits for new restaurants, hospitals and pharmacies;

- **legally entrusted functions** (*hōtei jutaku jimu*): local government acts as the implementing agency for 275 functions in accordance with specific laws covering tasks such as national elections, the issuance of passports, the compilation of government statistics, implementation of some welfare programs and the management of national highways. The central administration will be involved in these functions in various ways through the provision of advice and recommendations, requests for reports and issuance of directions.

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\(^{36}\) The streamlining of the entire administrative system will be completed by 2001.

\(^{37}\) Shirafuji, ‘Yugami tsuzukeru chihō bunkenron’, p. 22.


\(^{40}\) The DPP includes a very detailed item-by-item discussion of the criteria used to determine how it will be dealt with, an explanation of the related legislation and details on the amendments necessary.
These changes effectively represent the abolition of the *kikan inin jimu* system. In order to implement these proposals, a bill was prepared by the Prime Minister’s Office in May 1999. The 1500-page bill containing amendments to 475 laws was deliberated in the 145th Session of the Diet and enacted in July 1999 to take effect before April 2000. It included amendments to 351 laws (i.e. City Planning Law, Food Hygiene Law, Public Elections Law, etc.) in order to clarify the new functional arrangements between local and central government. In addition, another 138 laws were amended to curtail the extent of central involvement in local affairs. For example, the City Planning Law was amended so that local governments no longer need ministerial approval for urban development plans. Rather, the amendments require that local government undertake discussions to reach agreement with the MoC. Furthermore, the bill included amendments to 38 laws so as to enforce the transfer of authorization powers from national to local government, and from prefectural authorities to the municipalities. Finally, the bill contained provisions for the amendment of 35 laws governing the mandatory regulation (*hichi-kisei*) of local government organization. For instance, certain commit-

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42 In some cases specific laws are amended more than once. Likewise, some decentralization measures require amendments to more than one law. This duplication makes detailed analysis very difficult. Moreover, no clear overview of the various amendments has been produced by central government to date. Hence, any reviewer is required to undertake a detailed analysis on an amendment-by-amendment basis. Such a review is beyond the scope of this paper.
tees within local government may be disbanded, or in other cases flexibility is allowed in determining their titles.

The First DPP also recommended the establishment of a new Central–Local Dispute Resolution Committee within the Prime Minister’s Office to adjudicate in central–local disagreements. The exact workings of this mediation process remain to be seen. However, it is particularly significant that central government relinquished the right of referral to the Committee while at the same time reserving its right to take legal action against local government and, in extreme cases, to take over an administrative function should local government fail in its duties. In this context, the new mediation process is designed to help local governments only. The Committee will be composed of members appointed by the Prime Minister and approved by the Diet. It will not be empowered to issue legal orders related to the mediation but would issue non-binding recommendations. In the instances where either party (central or local) is dissatisfied with the Committee’s recommendation, they then have the option to take the dispute to the courts for judicial review.

As mentioned previously, the deliberations of the CPD are ongoing and new recommendations are being developed, the most recent of which have been incorporated in the Second DPP, which was issued by the Prime Minister’s Office in May 1999; this contained measures to reform the current approach to the implementation of public and non-public works, including the system of national subsidies to local government. The central–local relationship with regard to a number of strategic plans (national land plan, urban area readjustment plan, model area development plan, etc.) was also subject of a number of proposals. These measures are to be incorporated into the ongoing administrative reform program.

Evaluation of the Decentralization Process

Evaluation of the potential impact of decentralization is somewhat difficult as it coexists with a range of other reforms that are currently reshaping Japanese government. While it may be the case that the central officials have effectively diluted the decentralization proposals made by the CPD, it is still possible that the administrative reform process will have the indirect effect of shifting the existing central–local balance in Japan. Moreover, the actual implementation of the CPD’s proposals and subsequent evaluation could, if the reforms are successful, increase the scope for further decentralization in the future, thereby justifying the adoption of a cautious approach in the first instance.

In many respects, despite the distortions imposed by central government resistance, the First DPP remained fairly close to the spirit of the First to Fourth recommendation reports prepared by the CDP. Quite clearly, as mentioned previously, the biggest achievement is the redesign of ‘agency-delegated functions’. However, there are some limitations worth highlighting. First, the DPP includes only 64 direct transfers of authority. In 13 cases powers are transferred directly from central government to the prefectural authorities and in another 39 powers are transferred from the prefectures to the municipalities. (The details of the two remaining cases have yet to be decided; both relate to the operation of the proposed nursing care insurance scheme which is currently being developed by the Ministry of Health and Welfare in consultation with local government.) Second, central government retains the power to interfere with the implementation of local administrative functions (jichi jimu) through the issuance of ministerial instructions (daijin no shijii). The Environment Agency, in particular, was keen to include this requirement within the plan because it was worried about local
government supervision of pollution from factories. In particular, the Agency was concerned that the close relationship between local government and business could mean that in some instances local authorities may fail to impose controls that negatively impact on local businesses. While appreciating the Agency’s concern, the possibility exists that ministerial instructions may be used more widely in the future to control other local government activities.  

Third, the definition of Legally Entrusted Functions (hōtei jutaku jimu) was altered three times in the negotiations leading up to the preparation of the DPP. The various ministries took some time to agree on the appropriate balance in the role between central and local government in relation to these functions. The Ministry of Home Affairs, in particular, wanted to strengthen local government, while the MHW wanted to retain central control. A compromise was eventually reached whereby these functions are ‘shared’ by the two levels of government. Fourth, a major problem for the future will be how to put new areas of administrative work into either of the two new categories—more specifically, how to prevent new activities from being categorized as Legally Entrusted Functions. A number of options have been considered, all of which have various pros and cons associated with them. By far the biggest hurdle is the designation of the ‘entity’ with responsibility for allocating new tasks to either category. Options include retention of the CPD after July 2000, use of the Central–Local Conflict Resolution Committee or the establishment of a new committee solely for this purpose. There have been discussions on whether or not this role could be handled by the Diet. However, this may be difficult since the Diet would then have responsibility for approving legislation and determining how two tiers of government implement the new legal measures. Quite clearly, the implementation of decentralization measures proposed by the CPD is going to require a new system of checks and balances set in place to ensure the actual transfer of authority and that in the future a gradual decentralization does not occur.

At face value, the current decentralization reforms appear to do little to change the power relationship between central and local government. While some administrative powers have been transferred, the political decision-making structures remain untouched. Central control has been maintained in a number of areas of responsibility, which in the past have been the source of dispute between the two tiers of government—public projects, social security and environmental conservation. Moreover, Japan has often been described as the ‘construction state’ where public works projects play a significant role in both local politics and economic development. This is an important tool for central control of local affairs through project subsidies and other means. The decentralization reforms to date leave the public sector financial system virtually untouched, with the First DPP only proposing a 0.7% cut in the national

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43 Tsujiyama, ‘Chihō bunken tsūshin keikaku o dō yomu ka’, pp. 7–8.
44 Ibid., pp. 9–18.
47 For instance, with respect to the funding of infrastructure development, in cases where local government provides 10% of the required funds, it can count on the central government to cover an additional 15% through revenue sharing (‘local allocation taxes’). The remaining 75% could then be covered by funds raised by floating local bonds and these, in turn, are covered by revenues from central government.
subsidies to local government. The plan does, however, propose a future review of stricter screening procedures and other measures to increase accountability and transparency in the system of public works financing and revenue sharing. Other areas in need of review include central control over the issuance of local bonds and central payment of local government debts.

Conclusions

This paper has explained how the decentralization reform in Japan focused narrowly on the ‘power relationship’ between central and local government. Japanese experience shows that successful implementation of more radical decentralization requires that a number of political, social, institutional, administrative and financial barriers be overcome. In terms of assessing what has been transferred from where to where, it is possible to conclude that significant progress has been made in increasing local administrative, but not financial, control over a number of functions. With reference to the criteria established at the start of this paper, it is possible to conclude that the objective of the decentralization reforms to date has been administrative rather than political. Moreover, the failure to transfer a greater degree of financial autonomy to local government implies that ‘localization’ was not the goal. Rather, the main objective of the current decentralization reform is the promotion of strong, more efficient local government within the framework of small yet powerful national government. This appears to be very close to the objectives of the neo-liberals listed in Table 1. Indeed, it is likely that these changes can be achieved without comprehensive reform of local government per se, but rather by making do with refinements to the existing system. This has led some commentators to argue that the next step in the decentralization reform process must involve consideration of the changes required in order to promote local autonomy rather than the mere transfer of authority. Reform along these lines requires fundamental changes in the activities of local government and the style of management of local affairs.

It is all too easy to argue that decentralization is meaningless without the transfer of financial autonomy and that the ongoing administrative reforms in Japan could actually result in the creation of stronger central government ministries as well as the continuation of special interest politics closely tied to the subsidy system. In fact, while the reforms are still ongoing, it is equally valid to speculate about whether they might result in unforeseen positive factors in terms of greater local government efficiency and smoother central–local relations. Indeed it can be argued that successful implementation of the current administrative decentralization reform is an indispensable precursor to the devolution of greater power from central to local government.

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48 Tsuijyama et al., ‘Chiho bunken tsushin keikaku o dō yomu ka’, p. 21.
49 Issues such as the reduction of duplication in service provision, abolition of the prefectures, accountability, information disclosure, relationship between local politicians and the executive, citizen participation and so on have effectively been ignored in the national debate.
50 Shirafuji, ‘Yugami tsuzukeru chiho bunkenron’, p. 25.
51 In the longer term, the reform of the central ministries may represent a form of ‘deconcentration’ as presented in Table 1 of this paper. Daimon Sayuri, ‘Administrative Reform—Lofty goals not attained by bills’, Japan Times, 11 June 1999, p. 3.