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Decentralization in Japan in the Globalization Era:
Impact of Political, Inter-Ministerial and Interest Group Negotiations on the Reform Process

Brendan F.D. Barrett Ph.D.†

† The author is a Research Associate at the United Nations University/Institute of Advanced Studies. The author would like to thank Akio Kamiko of the Council of Local Authorities for International Relations for his comments.
ABSTRACT

A large part of the research currently underway at UNU/IAS focuses on the impact of globalization and also on the possibilities of bringing about the transformation of modern society in order to attain a more environmental benign relationship between human and natural systems. One new area of concern at UNU/IAS relates to the management of the so-called “local commons” which is essentially a political process controlled by the existing power interests in the locality.

To a large extent, this research activity links closely to the rich literature in the political sciences exploring the changing nature of the systems of governance. Anthony Giddens in his 1998 book entitled “The Third Way” argues that the new democratic state is characterized by the following trends: decentralization, double democratization (upward and downward), renewal of the public sphere, emphasis on administrative efficiency, new mechanisms for direct democracy and government as risk manager.

In this context, it is possible to understand how the 1990s can be understood as a period of intense reflection on the part of those concerned with the system of governance in Japan and a new era of reform. Decentralization is a central plank in this reform process and was given additional impetus with the passage of the 1995 Decentralization Promotion Act.

This working paper, therefore, briefly outlines the progress with decentralization in terms of the potential implications with respect to the reduction of central control over local affairs.

Essentially, the current round of decentralization can be understood as politically neutral, appealing to broad segments of Japanese society. However, in the longer term, in order to tackle the complex problems currently facing Japan and the increasing diversity within society, further measures targeted at promoting greater empowerment, by devolving power from local authorities to the communities themselves, may also be necessary. However, it is obvious that this will not be straightforward since there remain many barriers to the decentralization of power within the modern state.
Introduction

A new discourse has emerged in Japan, as in most modern societies, dealing with the subject of governmental reform and decentralization. In the past decade, since the collapse of the Bubble Economy, a complex interplay of factors has increased the pressure on all levels of government to change and reorganize. Primary amongst these is the impact of globalization bringing about economic integration and competition where, for instance, a wide variety of large-scale fiscal transactions now take place at high speed within financial markets, making it difficult for central government agencies to react and effectively manage the national economy. The most recent Human Development Report by the United Nations Development Programme (UNDP) deals specifically with this topic and describes how the forces of globalization are bring about the shrinking of space and time, as well as the disappearance of national boundaries (UNDP 1999:1). The United Nations University/Institute of Advanced Studies (UNU/IAS) has been examining the impact of globalization since it was established in 1996, with particular emphasis on the implications for World City Formation. This paper examines how globalization triggered the 1990s administrative reform process in Japan and illustrates to political complexity associated with attempts to alter the systems of governance in a modern state.

According to some commentators, globalization is resulting in the transformation of everyday lifestyles and a re-evaluation of the roles of national and local institutions. This has led Giddens to argue that:

“Globalization creates a strong impetus and logic to the downward devolution of power, but also to upward devolution. Rather than merely weakening the authority of the nation state, this double movement – a movement of double democratization – is the condition of reasserting authority, since this movement can make the state more responsive to the influences that otherwise outflank it all around.” (Giddens 1998)

The decentralization of authority from central to local government (chihoo bunken) is a key issue in contemporary Japanese politics. It is viewed by many political commentators as a popular policy prescription for the contemporary ills facing modern Japanese governance and has emerged as a pivotal factor upon which the success of the 1990's reform agenda will be judged (Kamo 1998a:9). The current
round decentralization activity in Japan can be understood as a "top-down revolution" or "centre-driven" (Tajima et. al. 1998:30, Akizuki 1999:2). This contemporary movement toward decentralization began with reform proposals initiated by the national elite (politicians, business leaders, academics, etc.). These proposals were taken-up by a number of political parties and leading politicians who then decided the basic direction of decentralization. Following the enactment of the 1995 Decentralization Promotion Law (DPL), the task of working through the details was passed to an independent body, the Committee for the Promotion of Decentralization – CPD, which was charged with responsibility to consult widely with interested parties before producing recommendations on how best to proceed.

The DPL outlined three main objectives for decentralization. First, steps should be taken to clarify the respective roles of central and local government, and divide the responsibilities accordingly. A two-fold approach was proposed under the DPL whereby central government was given responsibility to comprehensively review the measures 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 efficiency and at the same time make preparations to deal effectively with the new responsibilities it is likely to receive. Second, measures should be implemented in order to increase the independence and self-reliance of local authorities. Third, measures should be developed to promote the revitalization of regional communities throughout Japan. In order to achieve these objectives, a multi-faceted strategy was instituted involving a detailed review of the current state of central involvement in/control of local affairs and a case by case evaluation of whether or not to transfer authority away from central government. It is important to recognize that these changes in the balance of central-local relations are taking place within the framework of more extensive administrative and fiscal reforms. These were summarized by the Prime Minister Obuchi as follows:

- Reduce the number and size of central government ministries and agencies (by up to 25% over the next decade) through the creation of independent administrative corporations;
• Review the jurisdictional responsibilities of existing ministries and promote the decentralization of authority;
• Promote deregulation;
• Promote information disclosure (new law enacted in May 1999);
• Promote political reform and a code of ethics for the civil service.

This working paper provides an outline of the recent measures designed to promote the decentralization in Japan. It seeks to ascertain what exactly is being decentralized from where to where? Moreover, it addresses the issue of how best to evaluate the results of decentralization? What standards or criteria can be applied?

2. Historical Perspective

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 represented a "pendulum effect" - swinging from one to the other.

There have been six key phases in the development of the contemporary system of local government. The first phase (see Figure 1) commenced with Meiji Restoration and brought about the creation of a centralized nation-state. The Meiji reformers sought to undermine local feudalism and penetrate society with public administration. Interestingly, the term local autonomy (chihoo jichi) was introduced into Japan at this time but lay dormant until the postwar period.

In the period following World War II, the local autonomy reforms instituted by the Supreme Command for the Allied Powers (SCAP) were gradually eroded and the administration re-centralized. As a reaction to this, in the 1970s, progressive local government leaders, with public support, challenged central government and regained a degree of independence. This period has been described as the “Age of Localism.” However, a period of “Neo-centralization” occurred in the 1980s under the conservative central administrations (Shindo 1998:29-78). It is only in the 1990s that decentralization shifted from a theoretical debate to actual practical implementation.
<table>
<thead>
<tr>
<th>Period</th>
<th>Event</th>
</tr>
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<tbody>
<tr>
<td>1868-1887</td>
<td>Introduction of a Local Government System to Japan</td>
</tr>
<tr>
<td></td>
<td>Meiji Restoration created centralized nation-state. 20 years of trial and error to put in place a system of local government. Feudal domains abolished and prefectures established in 1871 (reducing from around 310 to 75).</td>
</tr>
<tr>
<td>1888-1945</td>
<td>Creation of the Modern Local Government System</td>
</tr>
<tr>
<td></td>
<td>System of local and regional government took on its modern design. Basic geographic areas of contemporary prefectural authorities determined in 1888 and have remained relatively stable to the present day with limited boundary changes. Municipal government (based on cities, towns and villages) set up in 1888 and initially numbered around 71,300. Meiji Constitution proclaimed in 1889. Central government control remained high with all local chief executives being centrally appointed.</td>
</tr>
<tr>
<td>1946-1969</td>
<td>Local Autonomy followed by Re-Centralization</td>
</tr>
<tr>
<td></td>
<td>US occupation administration sought to foster greater democracy in Japan through measures that increased decentralization and local autonomy. Reforms included a new Constitution (Article 8 deals with local autonomy) and the Local Autonomy Act of May 3, 1947. New measures changed ministerial responsibilities, required election of governors rather than their appointment by central government, ensured direct municipal elections, weakened the powers of chief executives and expanded local government powers and responsibilities. Local assemblies were established, elected by popular vote, and were given the powers to enact and repeal ordinances as well as approve budgets and the final accounts of revenues and expenditures. Local Autonomy Act provided local authorities with the right to determine and administer their own affairs independent of national supervision. Residents given right to run their lives in the local community according to their own initiatives by participating in the formulation of policies and through election of mayors and governors. Some elements of central government were against these reforms and in enactment of legislation from the 1950s onwards, the central administration sought to retain a high degree of control over the newly elected chief executives by designating them as “agents of the state” with executive powers delegated to them. Financial dependence on the national government tacitly limited the autonomy of the local political entities.</td>
</tr>
<tr>
<td>1970-1979</td>
<td>Age of Localism</td>
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<td></td>
<td>Central government’s grip on local entities began to loosen and local authorities were forced by circumstances to develop links with their communities. Inspired by the efforts of citizen groups protesting against environmental issues, many local authorities began to act decisively to control pollution through a range of measures. Progressive local governments developed innovative new welfare and environmental policies. Governor of Kanagawa Prefecture Nagasu Kazuji coined the phrase “age of localism” (jimoto shugi no jidai).</td>
</tr>
<tr>
<td>1980-1988</td>
<td>Neo Neo Centralization</td>
</tr>
<tr>
<td></td>
<td>Economic slowdown following 1979 oil shock impacted negatively on public sector finances throughout the industrialized world. Increasing pressure placed on local governments to control expenditure and fiscal management capabilities of the progressive governors (in Osaka, Kyoto, Tokyo and Yokohama) appeared increasingly inept. Prime Minister Zenkoo Suzuki took office in 1980 and began working with the chief of the Administrative Management Agency, Yasuhiro Nakasone, to implement administrative and financial reforms. Nakasone took over the reins of government in 1982 and pushed forward with plans emphasizing smaller and more efficient government, privatization of public corporations and stimulation of private enterprise through deregulation. Privatization given further stimulus under the Nakasone administration. As of March 1984, privatization had affected 45% of general municipal services mainly related to the designing of public buildings, road surveying, sewerage and waste collection/disposal. By 1987, nearly 96% of all local authorities had established programmes to promote reform and privatization of services.</td>
</tr>
<tr>
<td>1989-1999</td>
<td>Decentralization</td>
</tr>
<tr>
<td></td>
<td>Fluid situation whereby local government acts as both “challenger and supporter” to central government. Local government has become more innovative with regard to budget acquisition and this has in turn nurtured their independence. Decentralization has moved from concept to practice with the passage of the Decentralization Promotion Act in 1995 and the Decentralization Promotion Plan of 1998. Amendments to existing legislation in order to promote decentralization approved by the Diet in July 1999.</td>
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</tbody>
</table>
3. Defining Decentralization

As in many countries around the world (See OECD 1997:46-63), the debate on decentralization in Japan (also referred to as the CLGR debate) has been somewhat antagonistic. On the one hand, local government leaders have criticized, amongst others, 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. 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 not capable of filling the “vacuum” created by decentralization reforms (Akizuki 1999:5, Kamo 1998:14). In part, this antagonism relates to the broad range of interpretations of the concept of decentralization and the fact that the potential implications of this kind of administrative restructuring are poorly understood.

How is the term decentralization defined? 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. Moreover, the degree of decentralization that occurs can be placed on a scale from nominal to radical with the preferred extent of change along this scale conditioned by a number of factors including the ideological perspectives of those pursuing the reform and the extent of opposition. Clarification of the decentralization process is made more difficult, however, by the diversity of definitions of the term itself and by the various synonyms that are commonly used. A far from exhaustive overview of some the ways in which decentralization is defined is presented below (based on Burns et. al. 1994:5, 257, Jun and Wright 1996:4-6, Muramatsu 1997:1-5, OECD 1997:18):

**Decentralization:** Two basic modes of decentralization can be identified. First, there is *Administrative Decentralization* whereby responsibility is transferred from central to lower levels of government, thereby giving them more managerial discretion, but not necessarily financial independence. In this mode, local government remains subordinate to central authority. Second, there is *Political Decentralization* whereby authority is transferred to democratically-elected/independent lower levels of
government. Under this mode, local government is placed on equal footing with central government and financial autonomy is increased.

**Deconcentration/Delegation:** These terms are widely used to describe the transfer of responsibilities from central ministries to field offices and autonomous agencies. Consequently, service provision is brought closer to citizens while remaining part of, and financial dependent upon, central government. The heads of these field offices/agencies are generally unelected and are given a certain amount of discretionary power with respect to the provision of services. However, central intervention and control remains.

**Devolution and Localization:** In their most radical forms, these terms are used to describe the process whereby local government is given the power to independently develop projects and programmes. Local control over revenue and capital expenditure is increased. Restrictive rules governing organizational structures, staffing, budget utilization (i.e. budgets can be carried forward at year-end), revenue raising and contracting-out are removed. In the case of nominal devolution, central control is maintained through approval and subsidy procedures.

**Subsidiarity, Community Participation and Empowerment:** Subsidiarity implies that political decisions should only be taken at a higher level of government when absolutely necessary. In a trickle-down effect, each tier of government has to demonstrate why a particular decision needs to be taken at that level. 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. In modern democratic societies, this approach should also apply to the relationship between local government and its community/constituency, wherein participation is viewed as an important element in the political decision-making process. Cognizant of the weaknesses inherent in many forms of public participation, however, some commentators argue that local government needs to consider a range of options to promote the decentralization of decision-making powers from the local government to the community and to empower citizens to help them better participate in shaping local decisions (Burns et. al. 1994: 153-201).
With all these definitions, it is possible to understand how the concept of decentralization can be seen as an attractive panacea by interest groups at both ends of the political spectrum. Within Japan, the decentralization debate has clearly been split along ideological lines between the neo-liberals on the one hand and the social democrats on the other (Shigenori 1998:34). While appreciating that this may be something of an oversimplification, the various objectives and concerns related to decentralization as perceived by both of these groups are presented in the Figure 2.

**Figure 2: Alternative Political Perspectives on Decentralization in Japan**

<table>
<thead>
<tr>
<th>Neo-Liberals</th>
<th>Social Democrats</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objectives:</strong></td>
<td><strong>Objectives:</strong></td>
</tr>
<tr>
<td>Increased administrative efficiency and a “slim/downsized” governmental system.</td>
<td>Guarantee the maintenance of minimum standards of service provision.</td>
</tr>
<tr>
<td>Decentralization should be pursued hand in hand with deregulation.</td>
<td>Transfer authority and finances resources to localities.</td>
</tr>
<tr>
<td>Competition between local authorities should be allowed and where possible mergers between local authorities.</td>
<td>Address the current imbalance between local governments in terms of their capabilities and autonomy.</td>
</tr>
<tr>
<td>Restoring public trust in the administration.</td>
<td>Enhance citizen autonomy and participation through freedom of information procedures and local referendums.</td>
</tr>
<tr>
<td>This can be through measures designed to bring about greater transparency and information disclosure.</td>
<td></td>
</tr>
</tbody>
</table>

| **Concerns:**                                                                                           |                                                                                                    |
| Local authorities may become dominated by local interest groups.                                        | Burden of responsibilities placed on local government could increase without additional financial support being made available. |
| Uniformity in terms of service provision and standards could become difficult to maintain.              | Emphasis on increased efficiency could be used as a tool to further weaken local government by requiring personnel cuts and the privatization of local services. |
| Local governments may increase expenditure and more than at present may go bankrupt.                   | Local authorities could deviate from the required national standards of service provision and quality could decline. |
| Extensive citizen participation could overly hinder the local decision-making process and delay or stop nationally significant development projects. |                                                                                                     |

Source: Based on Shigemori 1999:34.

As Figure 2 illustrates, both ideological groupings identify with decentralization as one means to solve some of the problems facing modern Japan. In negotiating the form of decentralization, however, they recognize the need to guard against proposals that are, from their perspective, likely to further exacerbate rather than resolve these problems. However, examining the objectives presented in Figure 2 more closely, particularly in the context of the definitions of decentralization provided above, some commentators have argued that the neo-liberals may in fact be pursuing an agenda which is “anti-local government” (Shirafuji 1998:24).
The social democrats, on the other hand, include many local government leaders who recognize that the ability to tackle the issues facing their localities may be inherently into the process of decentralization of both authority and financial resources. These leaders have remained cautious about the current round of decentralization reforms, as will be discussed later in this working paper. Moreover, it is also important to acknowledge that some commentators 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, towards 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” (Mochida 1995). Nevertheless, these dissenting voices appear to be in the minority and the general consensus, at least from the early 1990s onwards, is that Japan needs to create a more decentralized system of government, broadly defined.

4. Need for Decentralization Reform

As shown in Figure 3, administrative reform including the decentralization of greater powers to local government has been high on the Japanese political agenda for decades. Initially, the main objective in the 1980s was the attainment of fiscal restraint in the public sector rather than normative evaluation of policies and programmes (Abe et. al. 1994:93). The Second Provisional Administrative Reform Commission (PCAR) was established in 1981 with the goal of cutting spending and increasing efficiency. The Commission's recommendations included proposals to curtail central government's interference in local affairs through reductions in the number of delegated functions and conditional subsidies as well as withdrawal of national civil servants working in local government. Furthermore, the number of local government personnel was also to be reduced and their salaries cut. However, the impact of these proposals was limited due to resistance from central ministries (which were protecting their jurisdictional responsibilities) and from the local authorities themselves. In fact, the degree of central government control through delegated functions and general involvement in local affairs increased throughout the 1980s.
However, in the face of increased central interference, according to some commentators, local government leaders began to re-evaluate their relationship with central government. Rather than being subservient to or directly confronting central government as was the case in the 1970s, many local government leaders began to see themselves as "challengers and supporters" of central government (Jain 1993:267).

Figure 3: Chronology of Events Related to the Decentralization of Authority in Japan

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1982</td>
<td>Third report from 2nd Provisional Commission on Administrative Reform (PCAR) dealt with “Concept of Administrative Reform” and included a section on function sharing between central and local government.</td>
</tr>
<tr>
<td>March 1983</td>
<td>Fifth report from 2nd PCAR again discussed the issue of function sharing between central and local government.</td>
</tr>
<tr>
<td>December 1984</td>
<td>Diet enacted legislation placing some restrictions on central government involvement in local affairs. The first report for the 1st Provisional Council for the Promotion of Administrative Reform (PCPAR), also published in December, discussed the rationalization of central government involvement in local administrative affairs.</td>
</tr>
<tr>
<td>January 1985</td>
<td>Report submitted to the Cabinet on Fundamental Principles for Local Administrative Reform.</td>
</tr>
<tr>
<td>May 1989</td>
<td>Liberal Democratic Party published an outline for administrative reform including a section dealing specifically with decentralization.</td>
</tr>
<tr>
<td>June 1991</td>
<td>3rd PCPAR published opinion on the promotion of administrative reform that included a section on decentralization and the strengthening of local government financial resources.</td>
</tr>
<tr>
<td>July 1991</td>
<td>3rd PCPAR published its first report on the importance of reform in the context of internationalization and national living standards. The report emphasized the need for independent and diverse regional communities within a decentralized nation state.</td>
</tr>
<tr>
<td>December 1991</td>
<td>The 3rd PCPAR published its second report on the importance of reform in the context of internationalization and national living standards. The report highlighted the role that decentralization can play in the creation of more affluent lifestyles in Japan.</td>
</tr>
<tr>
<td>June 1992</td>
<td>The 3rd PCPAR released its opinion on financial reform that included reference to the need for decentralization. The Committee also published the third report on the importance of reform in the context of internationalization and national living standards. This report outlined a system for the promotion of decentralization.</td>
</tr>
<tr>
<td>December 1992</td>
<td>Social Scheme for Promotion Decentralization was adopted by the Cabinet.</td>
</tr>
<tr>
<td>April 1993</td>
<td>Guideline for Implementing the Special Scheme for Promoting Decentralization was agreed at a meeting of Vice-Ministers.</td>
</tr>
<tr>
<td>June 1993</td>
<td>The House of Councillors and the House of Representatives unanimously passed a resolution calling for the implementation of measures to promote decentralization.</td>
</tr>
<tr>
<td>October 1993</td>
<td>3rd PCPAR published its final report highlighting, amongst others, the importance of decentralization and the need to enact legislation to ensure its promotion.</td>
</tr>
<tr>
<td>February 1994</td>
<td>Cabinet published its opinion on the next steps in the promotion of administrative reform.</td>
</tr>
<tr>
<td>May 1994</td>
<td>Decentralization Working Group set up in the Headquarters for the Promotion of Administrative Reform in the Prime Minister's Office. Included the Prime Minister plus eight Cabinet members and eight “learned” individuals.</td>
</tr>
<tr>
<td>September 1994</td>
<td>Representatives from local government associations submitted their opinions to the Diet and Cabinet. The report called for (a) clear demarcation between the functions of national and local government; (b) abolition of some national agencies, departments and regional offices; and (c) strengthening of the financial base of local governments.</td>
</tr>
<tr>
<td>November 1994</td>
<td>24th Local Government System Investigation Commission submitted a report to the Prime Minister concerning the promotion of decentralization.</td>
</tr>
<tr>
<td>December 1994</td>
<td>The Administrative Reform Office published an outline on decentralization and the Cabinet passed a Decision on “Fundamental Principles Regarding the Promotion of...”</td>
</tr>
<tr>
<td>Date</td>
<td>Event</td>
</tr>
<tr>
<td>-----------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>February 1995</td>
<td>Cabinet Decision passed on the Bill to Promote Decentralization and subsequently submitted to the Diet.</td>
</tr>
<tr>
<td>May 1995</td>
<td>Diet approved the DPL.</td>
</tr>
<tr>
<td>July 1995</td>
<td>The new law came into effect. Committee for the Promotion of Decentralization established by the Prime Minister. Includes following members: Chair: Ken Morori – Consultant - Taiheiyo Cement Vice Chair: Prof. Fukashi Horie - Kyorin University Members: Keichi Kuwahara – Former Mayor of Fukuoka City Kusuji Nagasu – Former Governor of Kanagawa Prefecture Prof. Masaru Nishio – International Christian University Prof. Keiko Higuchi – Tokyo Kasei University Soichiro Yamamoto – Former Governor of Miyagi Prefecture.</td>
</tr>
<tr>
<td>October 1995</td>
<td>CPD established two sub-committee – Regional and Community Development chaired by Professor Emeritus Yoriaki Narita, from Yokohama National University and including 13 members (1 business, 4 academics, 2 local government, 3 former central government officials, 2 journalists and 1 labour representative) brought together to examine land use, housing, industrial, transport and telecommunications issues and the Life and Welfare chaired Professor Wataru Omori of Tokyo University and including 10 members (3 academics, 2 local government, 2 former central government officials, 2 journalists and 1 labour representative) brought together to examine welfare, health, education, culture, employment and consumption issues.</td>
</tr>
<tr>
<td>March 1996</td>
<td>Interim Report prepared by the CPD.</td>
</tr>
<tr>
<td>April 1996</td>
<td>Administrative Matters Working Group (WG) set up under the chairmanship of Professor Masaru Nishio, Tokyo University and included 6 additional members.</td>
</tr>
<tr>
<td>May 1996</td>
<td>Subsidies and Tax Revenues WG set up under the chairman of Professor Naohiko Jinno, Tokyo University and included 7 additional members.</td>
</tr>
<tr>
<td>December 1996</td>
<td>1st Recommendation Report presented by CPD to the Prime Minister focusing on the abolition of national assigned functions entrusted to local government. Also submitted an Interim Report on Treasury Charges, Subsidies and Tax Revenues. The Government includes consideration of these recommendations in its Administrative Reform Programme.</td>
</tr>
<tr>
<td>January 1997</td>
<td>Local Administrative Systems WG added to CPD under the chair of Professor Fukashi Horie from Kyorin University.</td>
</tr>
<tr>
<td>July 1997</td>
<td>2nd Recommendation Report submitted to the Prime Minister and included recommendations on (a) function sharing between central and local government; (b) how central government should participate in local affairs in the wake of the abolition of assigned functions; (c) consolidation and rationalization of treasury charges and subsidies; (d) expansion and assurance of local tax revenues, (e) review of the regulation of mandatory placement of national institutions in local areas; and (f) development of local administrative systems.</td>
</tr>
<tr>
<td>September 1997</td>
<td>3rd Recommendation Report submitted to the Prime Minister dealing with (a) the handling of affairs related to local official systems, (b) use and disposal of land and other assets based on the Special Measures Law for Land Used by Forces Stationed in Japan, and (c) labour management, etc., of workers for forces stationed in Japan.</td>
</tr>
<tr>
<td>October 1997</td>
<td>4th Recommendation Report submitted to the Prime Minister concerning (a) standards for national government participation and the above-mentioned national administrative business entrusted to organs of local government, (b) framework for dealing with disputes between the national government and local public entities, and (c) scale of authority entrusted in accordance with the sizes of cities, towns or villages.</td>
</tr>
<tr>
<td>November 1997</td>
<td>Ministry of Home Affairs published two sets of guidelines on the promotion of local government bodies in order to attain a new age of local autonomy.</td>
</tr>
<tr>
<td>December 1997</td>
<td>Final Report of the Administrative Reform Council is published and includes sections related to decentralization.</td>
</tr>
<tr>
<td>November 1998</td>
<td>CPD submitted 5th Recommendation Report to the Prime Minister dealing with the roles of national and local government in relation to public works and strategic planning.</td>
</tr>
<tr>
<td>May 1999</td>
<td>Legislation for the amendment of laws related to the promotion of decentralization prepared by the Prime Minister's Office. Second DPP published by the Prime Minister's Office dealing with the recommendations from the 5th CPD report.</td>
</tr>
<tr>
<td>July 1999</td>
<td>The Diet approves the above-mentioned amendments.</td>
</tr>
<tr>
<td>July 2000</td>
<td>Decentralization Promotion Law becomes void. The CPD will be disbanded.</td>
</tr>
</tbody>
</table>

In other words, a new climate of CLGR began to emerge in the 1980s and in a large part this debate was taken forward in the First, Second and Third Provisional Councils for the Promotion of Administrative Reform (PCPAR). In particular, one sub-committee of the Third PCPAR dealt specifically with issue of local government reform. The then governor of Kumamoto Prefecture, Morihiro Hosokawa, was a member of this sub-committee (Muramatsu 1997:xv). When Hosokawa took office as Prime Minister in August 1993, he brought forward many of the PCPAR’s recommendations (contained in its October 1993 report) 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 (HPAR) in May 1994, and work began on the drafting of a new law to promote decentralization.\(^{xi}\) 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 the Fundamental Principles, was presented to the Diet by the Murayama administration in February 1995 including a provision for the establishment of the CPD. The bill was debated and partially amended in both the lower and upper houses. In Diet deliberations, there was also some discussion on the need to ensure that the rationalization of central and local government powers would be conducted so as to bring about greater "local autonomy." Intriguingly, the DPL will become void by July 2000 on the assumption that a tight deadline was required to ensure progress is made and that 5 years is a sufficient period for the effective implementation of the necessary reform measures.

How was it possible to bring about this shift in 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.\(^{xii}\) Second, as previously mentioned, local government itself had changed in character during the 1980s and early 1990s. In part this was in response to a number of societal, demographic (aging population) and technological changes that call for diverse, client based solutions/services and which appear to undermine the current centralized system’s emphasis on uniformity. Third, public attitudes toward the administration were 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, Komeito, Minshato and the New Japan Party) all placed emphasis on the importance of implementing decentralization measures (Shindo 1998:2). Indeed, when Hosokawa took office immediately thereafter he was able to take advantage of these election pledges in pushing through in his decentralization agenda. This was then taken forward by Murayama when he took office with a Socialist/LDP coalition in June 1994. In effect, the political turmoil and systematic breakdown of the tight LDP institutional/political control in the early 1990s created conditions that allowed a number of experienced local politicians and trade unionists like Hosokawa and Murayama to briefly dominate national politics (Akizuki 1999:4). During their terms of office they both promoted a form of decentralization which was essentially pro-local government and set up the deliberation mechanism designed to formulate the detailed decentralization measures.

5. 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. In setting up the CPD, the Prime Minister was required to select “individuals deemed to have superior discernment.” 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). The committee members were of a liberal persuasion, largely pro-government reform and in favour of decentralization. The composition of the committee received endorsement from the heads of local government (Akizuki 1999:3).

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

- Abolishing the system of agency delegated functions (kikan inin jimu);
- Reducing central government’s role in transferring certain duties and authority to local government;
- Restricting central government involvement in local affairs (kuni no kanyo) 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 management of the latter.

The CPD was given powers to conduct investigations and deliberations on basic matters related to decentralization. It was also charged with the task of consulting extensively with interested parties and the general public on the most appropriate form of decentralization. In this context, the CPD was 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 the CPD’s recommendations into account and to report them to the Diet (see Figure 4). Finally, the CPD was also called upon to monitor the status of policy implementation based on the Decentralization Promotion Plan 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.

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 reforms. However, these proposals were toned down markedly in later reports and in the plans prepared by the government, as will be discussed later. Following the publication of the interim report in late March 1996, which set out the CPD’s basic stance, two new sub-committees were established (as listed in Figure 3). Interestingly, both sub-committees included former central government officials (five from the total of 23 members). Upon completion of detailed investigations by the sub-committees, the CPD submitted its 1st Recommendation Report to the Prime Minister in December 1996. The Government reviewed the report and a Cabinet Decision was passed calling for the inclusion of these recommendations in the administrative reform programme. Moreover, work began on the preparation of a Decentralization Promotion Plan (DPP) and the Liaison Council for Promotion of Decentralization (LCPC) was convened. (see Figure 4). 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 preparation of the plan. The LCPC was also required to give detailed consideration to the type of measures that should be incorporated in the DPP and the necessary legislative amendments. Subsequently, the CPD submitted the 2nd Recommendation Report in July 1997. The recommendations it contained, however, were weaker than anticipated and 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 programme was as presented in the first two sets of recommendations (Kamo 1997:14-16).

Following a Cabinet Decision in October 1997, and taking into account the Committee's recommendations, detailed work began on the compilation of a comprehensive plan for decentralization. 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 5th Recommendation Report from the CPD was submitted to the Prime Minister in November 1998 dealing with the relationship between national and local government with respect to the funding and implementation of public and non-public works.

Overall the Committee functioned very competently and arguably the process of decentralization would not have progressed this far in such a short period of time without the CDP. This does raise concerns, however, about what will happen when the Committee is disbanded in July 2000. In absence of the CDP’s important mediating role, some commentators believe the whole decentralization process would have become embroiled in inter-ministerial fighting (Tajima et. al. 1998:6). The Committee effectively acted as an agent provocateur, think tank and intermediary between the various interests involved in the decentralization debate. However, there was considerable resistance to the CPD’s proposals from a number of quarters.
6. Resistance to the CPD's Recommendations

Figure 5 illustrates the main methods currently employed by central government to control local affairs and discusses how the CPD sought to alter this relationship.

<table>
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<tr>
<th>Present (1999)</th>
<th>Post-Decentralization Plan</th>
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<td>Legislation and Judicial Review:</td>
<td>No real progress was made related to this issue. As set out in the CPD's 2nd Recommendation Report, the legislative advantage of national government has been maintained by providing the possibility for national confirmation of the legal validity of local ordinances. The main concern then is what will happen if there are conflicts between central and local government? At present, it appears that central government is keen to retain the power to determine the status of various new areas of legislation in the future. In particular, the ministries do not think that a committee (old or new) should have the power to challenge decisions made by the Minister. Moreover, if local governments do not act in accordance with ministerial decisions, then they are in effect acting illegally. Hence central government ministries have decided that they will not refer to the “Central-Local Dispute Resolution Committee.” Rather this power rests solely with local government. The recommendations made by the committee are not mandatory and so can be ignored by the relevant ministry if they see fit.</td>
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<tr>
<td>Local government can enact local 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. It has been common practice for local government to confirm with the relevant ministry that any ordinance enacted is <em>intra vires</em>. 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 has been to allow ordinances in areas not covered by 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.</td>
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Central government collects the greater part of tax revenue in Japan (64.3% in 1993). The remainder (35.7% in the same year) is collected by local authorities through their independent local taxation system. The greater part of local authority spending is made up by block grant and programme/project-specific financial transfers from the central treasury. In 1993, for instance, roughly 43.9% of the national tax revenues were transferred to local government through various measures. The end result was that locally utilized tax income accounted for 63.9% of the total revenue for 1993.

The system of grants and subsidies was criticized as inefficient and duplicative in the Interim Report. It was recommended that the system be re-modeled into a blanket grant system. Measures to increase local tax revenue were also proposed. However, in the 2nd Recommendation Report, the CPD clearly failed to introduce measures that would ensure greater financial autonomy for local government. Instead, the CPD recommended that in the medium to long-range it would 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.

Delegated functions, in particular, operate as a mechanism for intergovernmental control. These functions come in two forms. (1) Entity-assigned functions which are delegated to a local authority as a corporate unit. When implementing these national directives and guidelines, the local authority enacts its own ordinance and the affair becomes that of the local government. (2) Agency-assigned functions (kikan inin jimu) in which central government assigns a function to one administrative organ in the locality, usually the governor or mayor. The number of these agency-assigned functions has increased rapidly since the 1960s. 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. Estimates of the proportion of time spent by local authorities carry out these activities range from 80% percent for prefectures and between 30 to 75% for municipalities.

The CPD's Interim Report recommended the abolition of this practice of agency-assigned functions. However, resistance from central ministries and agencies resulted in the CPD stepping back in the 2nd Recommendation Report to a more conservative proposal that involves only around 60% of the assigned functions being abolished. It was argued that the remainder of these functions could be retained under the condition that the rules underpinning central government control are clearly specified in national legislation. These rules are set out in the DPP which also includes detailed explanations of which functions fall within the category of Local Administrative Functions (koyu jimu) and which fall under Legally Entrusted Functions (hotei jutaku jimu). The main issue remains, however, with respect to the mechanisms for determining how new governmental activities in the future will be categorized and which institutions will be involved in making the decision.

Central government participation in local affairs (kuni no kanyo) takes place in various forms. The Management and Coordination Agency annually undertakes a survey of the scope of this involvement. The most recent survey indicates over 3,000 instances of central government involvement through the requirement of approval and permissions. The power to grant approval is one way in which central government can supervise local governance. Consequently all projects and programmes are subject to review before implementation and are likely to be supervised during their execution. Moreover, each ministry and agency of central government issues administrative notifications and guidelines to local government. They convey the legal interpretation of new statutes and policy intentions. Finally, central government places a large number of its staff in local government in order to more closely monitor their activities.

The power of national government was preserved in a wide range of "disputed" areas (mainly delegated functions) including public projects, social security, national security and environmental conservation. The CPD made recommendations on a number of areas of local government activity where central involvement was considered unnecessary. However, there was significant resistance from many of the major ministries with end result being that in a number of cases (for instance, the preparation of city plans) a special condition was introduced whereby local government must reach consensus with the central ministry. This is essentially the same as obtaining approval. Interestingly, no recommendations where made to change to system of central transfers to local government. This may reflect the fact that many local government leaders now see this as a means to improve the quality of their own staff through interaction with central government officials.


As the above table indicates, the recommendations of the CPD represent significant progress with decentralization in four key areas:

- Abolition of the agency delegated functions (kikan inin jimu);
• Redistribution of the above-functions to either local government or central government;
• Establishment of rules/criteria\textsuperscript{xviii} governing the form and extent of central government involvement in local affairs;
• Establishment of mediation procedures in the cases of disputes between local and central government.

Figure 6 shows how local government leaders evaluated the progress made by the CPD up to the publication of the 2\textsuperscript{nd} Recommendation Report and illustrates how they generally supportive of the CPD’s work. In compiling these recommendations the CPD was required to maneuver through a complex maze of opinions. Various interest groups were determined to shape the outcome of these negotiations. For instance, Figure 7 shows how local government leaders viewed the barriers to decentralization and clearly illustrates that central government ministries were seen as the main obstacle. The second most important barrier was local government’s lack of preparedness and in some cases over-dependency on the centre. However, there appears to have been a shift in local government’s attitude from 1997 to 1998 when the national political parties also came to been seen as an obstacle as was the Prime Minister’s leadership. In actual fact there was considerable resistance to the CPD’s proposals from various quarters including the labour unions and the business sector. Welfare groups and lawyers also raised concerns about whether excessive decentralization would weaken central government and undermine the protection of certain basic human rights set forth in the Constitution (Kamo 1997:15). Moreover, some academics voiced concerns about the impact of decentralization on local government finances (Mochida 1995).
As part of the current reforms, do you consider decentralization is really necessary? (Asahi 1997)

How do you think the recommendations of the CPD will affect the progress towards decentralization? (Kyodo 1998)
How do you feel about the 1st Recommendations Report prepared by the CPD? (Asahi 1997)

How effective do you think the recommendations contained in the 2nd Report for the CPD are likely to be? (Kyodo 1998)
Figure 7: Local government leaders’ perspective on the main barriers to decentralization reforms (1997 and 1998)
However, 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 (Kyodo News 1998:58). The Ministry of Construction (MoC) contested the CPD’s recommendations related to the city planning system (Takeuchi 1997:130-133) and 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 (e.g., Ministry of Education, Science, Sports and Culture, and the Ministry of Agriculture, Forestry and Fisheries) also resisted the CPD’s recommendations. Moreover, the Ministry of Finance was by the far the most significant obstacle to the CPD’s work and undermined its’ efforts to review the financial arrangements between central and local government (Takeuchi 1997: 221-223). 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 DPP was in the hands of the central officials. Ichihashi (1998:27-33) provides a detailed description of how the language used in the DPP was substantially different from that presented the CPD’s recommendations. 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 DPP this was watered down to a phrase like “as far as possible” (dekiru kagiri). Moreover, instead of listing in detail the various
measures required, the 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 the 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. 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, the impact of this central resistance to decentralization may have distorted the direction of implementation of the reform proposals to an anti-local autonomy (han chihoo jichi tekina) perspective (Shirafuji 1998:22). 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 programme need not be perfect but should be realistic and implementable. As a result of this remark, from that time onward, the initiative shifted away from the CPD and to the central ministries (Kyodo News 1998:67).

7. Decentralization Promotion Plans

The 1st DPP was approved by the Cabinet in May 1998 and included measures to replace the agency-delegated function system with a re-categorization as follows:

- **Local Administrative Functions** (*koyu jimu*): Local government given full authority in areas such as approving city plans, designation of agricultural promotion areas, and the issuance of permits for new restaurants, hospitals and pharmacies. A total of 398 tasks of this kind were mentioned in the DPP.
- **Legally Entrusted Functions** (*hotei jutaku jimu*): Local government acts as the implementing agency in accordance with specific laws. The plan referred to 275 such tasks including those related to national elections, the issuance of passports, the compilation of government-designated statistics, implementation of nationally determined welfare programmes 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.

This effectively represents the abolition of the kikan inin jimu system. In order to implement these and other changes draft legislation was prepared by the Prime Minister's office in May 1999. The legislation was deliberated in the 145th Session of the Diet and enacted in July 1999 to take effect before April 2000. The draft legislation contained revisions to 475 laws. It is proposed to make 351 amendments (i.e. to the 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 amendments to laws were proposed to curtail the extent of central involvement in local affairs. For example, the City Planning Law would be amended so that local governments no longer need ministerial approval for urban development plans. Rather the amendments require that local governments undertake discussions to reach agreement with the MoC. Furthermore, the draft legislation included another 38 amendments to laws so as to enforce the transfer of authorization powers from national to local government, and from prefectural authorities to the municipalities. For instance, the approval of public sewerage works plans would be transferred from national government to the prefectural authorities. Finally, the draft legislation contained provisions for the amendment of 35 laws governing the mandatory regulation (hicchi-kiseii) of local government organization. For instance, certain committees within local government may be disbanded or in other cases flexibility is allowed in determining their titles.

The 1st DPP also recommended the establishment of a new Central-Local Dispute Resolution Committee within the Prime Minister's Office to adjudicate in cases where disagreements occur between central and local government. However, in instances where central government considers that local government is failing to properly implement specific functions, then central government has reserved its right to take legal action against local government as in the past. Central government has also retained the right, in extreme cases, to take over the administrative function should local government fail in its duties (Akizuki 1999:3). The exact workings of this mediation process remain to be seen. In particular, it is significant that the central ministries have relinquished the right of referral to the committee. Rather, the
mediation process effectively serves the needs of local government whereby they are expected to bring any dispute related to central intervention to the Committee. The Committee will be composed of members appointed by the Prime Minister and approved by the Diet. It would not, however, 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) are dissatisfied with the Committee’s recommendation, they then have the option to take the dispute to the courts for judicial review.

The plan also deals with a number of significant issues including, for example, the system of central subsidies to local governments where it recommends that they be subjected to a more detailed review in order to determine which need to be terminated. In addition, the merger of small municipalities was discussed and recommendations were made for more mergers to be promoted in the future so as to increase local government’s capabilities to handle its new responsibilities. Moreover, the lease of private land for the US military use was also considered. It was recommended that this issue should be directly dealt with by the central government, abolishing the current system under which prefectural governors are charged to act on behalf of the state.

As mentioned previously, at the time of writing, the deliberations of the CPD are on going and new recommendations are being developed. The most recent of which have been incorporated in the 2nd DPP which was issued by the Prime Minister's Office in May 1999 and included 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 relationship between local and national government with regard to a number of strategic plans (national land plans, major urban area readjustment plan, model area development plans, etc.) was also the subject of a number of proposals. These measures are to be incorporated into the on-going reform of the national government. Moreover, it was recommended that many of these measures could be implemented before the end of the year 2000, while others may require amendments to existing legislation.

8. Evaluation of the Decentralization Process
Evaluation of the potential impact of decentralization is somewhat difficult as it coexists with a whole range of other reforms that are currently reshaping Japanese government. While it may be the case that the central officials effectively diluted the decentralization proposals made by the CPD, it is still feasible (but perhaps not likely) that over the longer term the wider administrative reform process could have the indirect effect of shifting the balance of the CLGR in Japan in favour of local government. 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. These points need to be borne in mind when evaluating the state of the decentralization reform process to date.

At face value, the proposed decentralization reforms appear to do little to change the power relationships 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 (Kamo 1997:16). Japan has often been described as the “construction state” where public works projects play a significant role in both local politics and economic development (Van Wolferen 1990, Woodall 1996). Moreover, this is an important tool for central control.xiii The decentralization reforms to date leave the public sector financial system virtually untouched with the 1st DPP only proposing a 0.7% cut in the national subsidies to local government (Tajima et. al. 1998:21). The plan does, however, propose consideration in the future of stricter screening procedures and other measures to increase accountability/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 coverage of local government debts (Kato 1998).xiv The issue of local government financing will need to be addressed at some point in the future by either the CPD or its successor. The majority of local authority leaders are concerned that the current decentralization reforms mean greater responsibilities with no new funds. Or, even worse, an opportunity for central government to reduce its responsibilities and save money.
In many respects, despite the distortions imposed by central government resistance, the 1st DPP remained fairly close to the spirit of the 1st to 4th recommendation reports prepared by the CDP. Quite clearly, as mentioned previously, the biggest achievement is the elimination of "agency-delegated functions." However, there are some reservations that need to be highlighted. First, the DPP includes only 64 direct transfers of authority. In 13 case 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 (i.e., operation of the nursing care insurance scheme). Second, central government retains the power to interfere with the implementation of Local Administrative Functions (koyu jimu) through the issuance of ministerial instructions (Daijin no Shiji). The Environment Agency, in particular, was keen to include this requirement within the plan because it was concerned 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 could negatively impact on local businesses. However, this particular mechanism may be used more widely in the future to control other Locally Administered Functions (Tajima et. al. 1998: 7-8).

Third, the definition of Legally Entrusted Functions (hotei 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 these functions. The MHA, in particular, placed greater emphasis on the importance of local government and while the MHW wanted to see greater importance placed on the role of central government. A compromise was eventually reached whereby these functions are to considered as "shared" by the two levels of government (Tajima et. al. 1998: 9-18). Fourth, a major problem for the future will be how to put new areas of work into either of the two categories. More specifically, how to prevent new activities from being categorized as Legally Entrusted Functions.

A number of options under consideration include the preparation of an annex to the plan dealing with this topic, publication of a guideline (perhaps by the MHA)
and/or new legislation. All of these have various pros and cons associated with them and the process needs to be handled in a transparent manner. 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 the new legal measures are implemented by two tiers of government (Tajima et.al. 1998:16-17). 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 in the first case the actual transfer of authority and secondly that in the future a gradual re-centralization does not occur.

9. Other Reforms – On-Going and Pending

The process of wider local government reform in Japan is currently being pursued by the MHA through measures designed to promote the merger of local municipalities, restructuring of national treasury grant expenditures and review of the local tax systems. For instance, the MHA successfully engaged MOF over the issue of the setting of a Local Consumption Tax. Moreover, the 1965 Law for Exceptional Measures on Municipal Mergers was amended in March 1995 to include measures for the promotion of the voluntary merger of municipalities. Furthermore, a scheme for the creation of Wide Area Unions (WAUs) was introduced by a 1994 amendment to the Local Autonomy Act. This scheme introduces a number of special non-mandatory measures (concerning permissions and authorizations, subsidies, and local government debt issues, etc.) which enable local authorities to better co-ordinate services over authority boundaries. Local authorities involved in these schemes can request the delegation of powers from national government and the prefectures. The assembly members representing these schemes are elected and local residents are permitted to make direct demands on the WAUs. As of June 1997, there are four such WAUs covering around 40 cities, towns and villages (Council of Local Authorities for International Relations 1997:65).
Local authorities have also implemented their own administrative reform programmes through measures aimed at cutting staff levels and controlling salary increases, simplifying and rationalizing organizations and mechanisms, and reviewing projects and work. The MHA has been providing support to local authorities in this respect and in October 1994 issued a document entitled “Regarding Adoption of Guidelines for the Promotion of Administrative Reform in Local Public Entities.” These guidelines request that local government actively carry out investigations on how best to improve their operations in order to increase efficiency. Based on this request, as of July 1997, all prefectures and designated cities, and 96% of cities, towns and villages, had adopted new fundamental guidelines for administrative reform.

While acknowledging that considerable progress has been made, it is important to note that the current reforms have as yet failed to tackle a number of problems that have hitherto hindered the development of local autonomy in Japan. These include:

**Reducing the Number of Local Authorities:** Since the establishment of the local government system in 1871, there has been a gradual reduction in the number of local authorities (from around 71,300 to 3,300 in 1999). However, local government still employs over 3.3 million and in some instances has been criticized (particularly in the major cities) for the duplication of services. Hence, in recent years there have been numerous calls for the "downsizing" of local government including the establishment of a regional tier, abolition of the prefectures and merger of the municipalities to reduce the number to between 3-500. This would also involve cuts in the number of local government employees. The CPD did make initial recommendations related to this issue including the transfer of some powers from the prefectures to the municipalities. However, the prefectures still retain their influence over the municipalities. The main concern of the CPD was that reorganization of local government undertaken concurrently with decentralization reforms would weaken local government and undermine the actual transfer of authority (Akizuki 1999:50).

**Executive Dominated Policy-Making:** It has been argued that local government officials in Japan undermine local autonomy since they do not grant equal access to
the policy-making process for all members of the community nor do they give equal
weight to all demands made upon them (Nakano 1997, Abe et. al. 1994). In reality the
policy-choices are neither made openly nor by the elected representatives. In
contemporary Japanese local government, the elected assemblies are notoriously
weak and ineffective. Instead, the executive arm of local government, and its
leadership through the mayors and governors, determines who has access and how.
Decentralization will have limited impact on how local governments operate if it fails
to address the role of these chief executives and the workings of the local assemblies,
their representativeness and the scope for improvement.

**Local Accountability:** One role of the local assemblies is to monitor the activities of
the chief executives and local officials. They are also required to engage in wide-
ranging debate so as to ensure that resident's wishes are better reflected in
administrative service provision. Many commentators are concerned, however, that
decentralization and the transfer of powers from the central government to local
governments will increase the influence of the local chief executives. To counter this,
there are calls for more effective local assemblies and curbs on the discretionary
powers of governors and mayors.\textsuperscript{xxvii} However, with respect to the actual operations
of the local assemblies, concerns have been expressed about the lack of accountability
of the assembly members for service provision and local expenditure. In effect, the
only accountable individual in Japanese local government system appears to be the
chief executive (Nakano 1997).

**Ethical Standards:** Another problem relates to the ethical standards of local
assembly members. Under law, assembly members are not allowed to hold positions
in private companies involved in dealings with local government. However, there
have been numerous cases where assembly members have been implicated in public
works irregularities. In addition, there have been other cases in which assembly
members were suspected of promoting companies for which they formerly served as
executives. This issue needs to be tackled through measure designed to support to the
local “ombudsman” system and the introduction of a code of ethics for assembly
members, chief executives and local officials.
The above are indicative of the issues that will need to be tackled in the next round of administrative reform measures. Consideration of these issues would become particularly important in the event of successful implementation of decentralization reforms bringing about the transfer of financial resources and autonomy from central to local government. In the advent of local authority obtaining greater discretion with respect to revenue and expenditure, a whole new range of problems are likely to occur unless greater transparency and accountability in the day to day operations of local government in Japan, than exists today, can be assured.

10. Conclusions

While the forces of globalization have played a fundamental role in creating the conditions which favour the decentralization of authority, there remain within any nation state powerful interests groups and institutions that will seek to shape the reform process to their own advantage. To some extent, this may also involve implementing measures that run counter what Giddens describes as the “impetus and logic” of globalization. This should not come as a surprise to most readers but it is interesting to witness how these forces and counter-forces play-out with regard to the specific issue of decentralization in Japan.

Japanese experience shows that successful implementation of a more radical form decentralization (assuming that to be a good thing) requires that a number of political, social, institutional, administrative and financial barriers need to be overcome. However, this working paper has shown how the decentralization reforms in Japan, in the face of considerable resistance, came to focus narrowly on the "power relationship" between central and local government. 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 (including city planning, agricultural development and so). With reference to the criteria established at the start of this working 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 (in either monetary or discretionary terms) to local government implies that “localization” was not the objective of the reforms (although this may have been a goal of the CPD).
Perhaps the main objective of the current decentralization reforms is the promotion of strong, more efficient local government within the framework of small, yet powerful national government. This appears to be very close the objectives of the neo-liberals as listed in Figure 2. 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 system as exists. Hence, a number of issues that are considered by some interests as fundamental to effective decentralized local governance (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.

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 (Shirafuji 1998:25). Reform along these lines requires fundamental changes in the activities of local government and the style of management of local affairs. However, as the current decentralization reform process illustrates it is all too easy to over-estimate the capacity and ease with which local government can be reformed. It may be overly idealistic to place too much faith in the operation of local political mechanisms with the assumption that local government can effectively reflect the wishes of local citizens. After all, the "leave it to the locals" mentality only makes sense when they possess the appropriate "social consciousness." Until this social consciousness fully develops in Japan, it may well be pertinent for some kind of separation-mixture continuumxxviii of functions to continue under what by Muramatsu (1997: 145-159) describes as the "overlapping model of central and local authority."

Some commentators also fear that the wider administrative reforms on-going in Japan could result in the creation of stronger central government ministries and the continuation of special interest politics closely tied into the subsidy system (Daimon 1999). However, while the impact of the current reform process for local practices may be difficult to predict, nevertheless, when the implications of reform become clearer and the new divisions of responsibility begin to take effect, there may
unforeseen positive factors in terms of greater efficiency with implementation and also smoother central-local relations. This in turn may provide insights and support for future reform programmes targeted at further enhancing local autonomy.

Finally, this working paper has identified two main points of clear relevance to the research currently on-going at UNU/IAS which pre-supposes the over-riding influence of globalization and assumes that some form of eco-restructuring of modern society may be possible. In the first instance, while the forces of globalization are certainly predominant, they are not all-powerful. Rather, it is important to recognize the mediating/blocking role played by institutions and interests, as the case with decentralization in Japan clearly shows. Second, the transformation of the modern state to attain a certain desirable future (i.e., put forward by Giddens as decentralization, double democratization (upward and downward), renewal of the public sphere, emphasis on administrative efficiency, new mechanisms for direct democracy and government as risk manager) is not a uniform phenomena. While reforms may take place under the banners of decentralization, efficiency, democracy and so on, again we find they are mediated by the existing dominant “interests” for the benefit of the existing dominant “institutions.” This implies that any research agenda promoting both globalization and societal transformation needs to look deeper at the political manifestations of these processes in order to understand the true nature of the shifts occurring within the modern state. In addition, it is essential for the researchers to cautiously approach the plethora of definitions of terms like decentralization, democratization, participation and so on. After all, as is the case in Japan, we clearly do not share the same understanding of the terms used so liberally to describe the processes under examination.

References

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 3,000 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 twenty-three special wards. Each ward has its own elected mayor and assembly.

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

Local government did not really start to act with any degree of independence until after World War II when in 1947 the Local Autonomy Law included a requirement that the public matters of the local communities should be managed according to the will of local residents.

CLGR stands for "Central-Local Government Relationships."


In some instances, local government can function as an “agent” of central government. Indeed, the OECD described the CLGR in Japan as an “agency relationship” wherein local government assists with the implementation of national policies by adapting them to local circumstances (OECD 1997:48)

The current debate in Japan on the role of local referendums is very relevant here. These are emerging as a powerful tool employed by communities to counter what they consider to be “unwelcome development projects.” Article 95 of the Local Autonomy Law allows communities to make decisions through direct voting. Recent examples include the vote at Makimachi, Niigata Prefecture in August 1996 on the plan to construct a nuclear power station; and the June 1997 referendum in Mitakecho, Gifu Prefecture on a plan for an industrial waste disposal facility.

The neo-liberals include, but are not exclusive to, leading thinkers from the Liberal Democratic Party, other right-wing 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, Komeito, the Democratic Party, etc.), some local government leaders, trade unionists and academics.

For instance, in his speech to the 130th session of the Diet in July 1994, Prime Minister, Tomiichi Murayama, indicated his intention to pursue reform by reviewing the entire public service system, streamlining and consolidating special corporations, achieving appropriate staff levels at the national and local government levels and establishing an administrative reform committee.

A 1998 survey by Kyodo News of the 3302 local government leaders in Japan, 40.3% indicated that social welfare issues were by far the most significant problem facing local government (Kyodo News 1998:36). 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.

The working 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 presented to the HPAR in November 1994.

The Bubble Economy was characterized by inflated land prices, large amount of funds tied into land speculation, poor investments practices in Japan and overseas, inappropriate lending procedures by some financial institutions, and so on. The consequence of the collapse of this situation has been characterized by falling land prices, bankruptcies, bank closures due to bad loans, increasing unemployment, falling government revenues and increasing government expenditure.

It is important to recognise that a number of scandals involving the misuse of public funds at the local level also occurred at this time raising serious concerns about soundness of the foundations of the current local administrative systems.

Tomiichi Murayama was a veteran socialist politician and formerly a local government labour union representative (Akizuki 1999:4).

This has been criticized in past because such functions require the local chief executive to work as an agent of central government. Moreover, these functions are excluded from the oversight of the local assembly (Akizuki 1999:2).

This could include requests for opinions on specific issues as well as requests for explanations of the information provided.

For instance, in June 1996, the CPD held one-day meetings at venues throughout Japan (including Kobe, Kochi, Oita and Fukushima) in order to gauge public sentiment regarding decentralization (Takeuchi et. al. 1997: 43).

The German word “merkmal,” used extensively in the DPP and other documentation in determining which functions belong where, has a broad range of meanings including attributes, characteristics, criterion and distinguishing marks.

The streamlining of the entire administrative system will be completed by 2001.

For instance, the Ministry of Home Affairs is very supportive of the whole process of decentralization. As the ministry responsible for local government, it considered that any strengthening of local authorities would in turn represent an increase in power for the MHA in relation to other ministries.

The DPP includes a very detailed discussion on an item by item basis of the criteria used to determine how it will be dealt with, an explanation of the related legislation and details on the amendments necessary.

Some laws will be amended more than once taking the total number of amendments to 562.

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.
Under the present system, the debts of local governments continue to swell and are estimated to reach ¥160 trillion in 1999. This has been made possible by a complex system of local borrowing and revenue sharing that effectively allows local governments to borrow money without worrying about paying it back.

Based on a proposal by the Third Report of the Third PCAR, on 19 June 1992 there was a Cabinet Decision Regarding a Special Scheme for Promoting Decentralization. The Cabinet then decided on 8 December 1992 how to implement this scheme. An outline incorporating the details for operating this scheme was formulated in a Vice-Ministerial conference on 5 April 1993.

It is worthwhile noting, that many local governments have already begun preparing for handle the new demands resulting from the decentralization reforms and also in response for wider administrative reform. Tokyo Metropolitan Government, for instance, has established its own Decentralization Promotion Office headed by the Governor and in 1998 published guidelines on decentralization. A two-stage plan has been devised. The first stage would include measures for the decentralization of powers from the metropolitan government to municipalities (the 23 wards) as required by national law. The second stage would involve the establishment of a forum between TMG and the municipalities to discuss the non-mandatory (optional) transfer of powers. In addition, measures will be implemented to increase the activities of the non-profit and voluntary sectors as well as reorganization/streamlining of the TMG administration (TMG 1998:1).

For instance, under the Local Autonomy Act, the chief executive may take unilateral action only in situations where "it is impossible to convene an assembly session in time." Unfortunately, in reality, there are many examples where the chief executives use this as the excuse of "urgency" so as to avoid the need for proper consultation with the assembly.

This term is used by Muto H in his paper on Innovative Policies and Administrative Strategies for Intergovernmental Change in Japan published in Jun et. al (1996).

This is a term introduced by the United Nations University in 1993 and argues that the restructuring of industrial, political and socials systems is feasible in order to attain a more environmentally sustainable future.