

Views on the Regional System

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Investigative Committee on the Regional System
and Municipal Corporations
Center for Urban Decentralization Policies

1. Introduction

The introduction of the regional system in Japan was debated as a single policy from multiple perspectives, such as correcting disparities between regions through the economic independence of local areas, streamlining government administration by abolishing overlapping administration, and maintaining and expanding an international competitive edge. However, the government, major political parties, and other entities are currently in the middle of various different debates concerning the specific contents of this regional system. The claim could be made that as things actually stand there is still a divergence in the discussions over even the pros and cons of the regional system itself.¹

As this indicates, at the current stage where there is a lack of consensus over what constitutes the regional system it is difficult to define the municipal corporations stance towards said system. But from the municipal corporations' standpoint, they feel that at the very least the following premises are crucial when it comes to debates over the introduction of the regional system.

First off, it is important to premise this on steady progress with the second phase of decentralization reforms, such as by striving to the utmost extent possible to enhance the authority of the basic municipalities and secure financial resources. The government has questioned the Regional System Vision Advisory Body under these premises.² If no progress is seen with decentralization reforms prior to the introduction of the regional system, then this will have to be called a case of putting the cart before the horse.

Next, transferring authority to and expanding the freedom of local municipalities has been regarded as an important challenge in the second phase of decentralization reforms, with the aim of this being on strengthening local municipalities. This is based on the “principle of giving precedence to basic municipalities,” which would make it possible to implement the administration required by local residents and policies that are finely attuned to the regions in a detailed manner, while also emphasizing the roles and functions of the basic municipalities that are closest to the residents. This principle of giving precedence to basic municipalities is one that should be adhered to even if Japan introduces the regional system. The regions would not be structured as governments that have enormous, quasi-national powers similar to those of states in a federated nation, but should be considered as nothing more than wide-area municipalities that complement the basic municipalities and exist on an equal and cooperative footing with them.³

2. Equal and Cooperative Relationships between the National Government, Regions, and Basic Municipalities

In light of the purpose of the second phase of decentralization reforms, it is important to promote administrative management that has a high degree of freedom in the basic municipalities. For this reason, the national government should work to do away with or minimize its imposition of obligations and frameworks as well as its involvement, while at the same time striving to expand the basic municipalities' authority to enact ordinances, including the authority to overwrite laws and regulations with ordinances.

In the event that the regional system were to be introduced, then as a matter of course the national government will have to do away with or minimize its imposition of obligations and frameworks on as well as its involvement in local regions. However, attention will also have to be paid to ensure that new impositions of obligations and frameworks and involvement by the regions do not crop up towards the basic municipalities.

In federal nations, state governments oftentimes retain powerful authority, such as having legal grounds related to the establishment of basic municipalities. However, in the event that the regional system was to be introduced then the regions and basic municipalities should adopt equal and cooperative relationships. This comes in light of the history through which the prefectures and municipalities in Japan matured away from their superior-subordinate-type relationship to one of equality and cooperation. Vesting the regions with enormous authority that would allow them to oversee allocations of administrative work and organizational structures related to the basic municipalities via ordinances would conceivably be inappropriate on the grounds that it would considerably hinder the independence and autonomy of the basic municipalities.⁴

3. Allocation of Tasks between the National Government, Regions, and Basic Municipalities (Sharing of Roles)

(1) Basic Perspective

With respect to Japan's national development in the post-war period, there is no denying that the country's centralized administrative structure contributed to its rapid development. But as things currently stand, changes in the socioeconomic environment have made it difficult to provide precise administrative services in response to the diverse needs of local residents. What is more, from the residents' perspective needless waste has been pointed out with respect to the allocation of tasks under the current structure, with this being due to unclear authority and responsibilities, as well as overlapping administration.

For such reasons it will be necessary to clearly define the sharing of roles between the national government, prefectures, and municipalities, as well as to re-allocate tasks on the basis of this sharing of roles. The need to do this will remain unchanged even if the regional system is introduced.

Municipalities provide a broad range of administrative services that are indispensable for residents' daily lives, such as resident registration, trash disposal, water supply and sewage, nurseries, elementary and middle schools, urban planning, livelihood protection, nursing insurance, and fire fighting. But currently the national government minutely prescribes

uniform rules for the entire country through laws and the criteria for subsidies. These are not necessarily structured so that residents' needs are painstakingly incorporated into them, or so that regional problems can be solved by the regions. From the standpoint of the happiness of the national public and local residents, it is important to provide resident-oriented administrative services quickly and effectively. It will be necessary to continue thinking about the allocation of administrative tasks between the national government, regions, and the basic municipalities based upon the principle of giving precedence to basic municipalities so as to enable basic municipalities, which are the closest form of government to the residents, to carry out administrative services in a comprehensive and consistent manner.

When we try to analyze the allocation of tasks between the central and regional governments in various Western countries, we see that in federal nations the exercise of national sovereignty is divvied up between the federal and state governments, and because of this the role of the state government grows comparatively larger compared to that of the basic municipalities. But in unitary nations there is a tendency for the role of the basic municipalities, which are responsible for basic residential services, to grow larger than that of the wide-area municipalities.

(2) Roles of the Basic Municipalities

As was indicated in the Report on Modalities for the Regional System from the 28th Local Government System Research Council, in the event that the regional system was to be introduced then emphasis will come to be placed on the "roles that the national government should intrinsically carry out." These roles include tasks pertaining to the presence of the nation in the international community, activities by the public which are preferably prescribed in a uniform manner nationwide, tasks related to basic regulations concerning local autonomy, and the implementation of policies and undertakings at a national level or which must be carried out by adopting a nationwide perspective. What is more, the regions will be responsible for wide-area tasks that the basic municipalities cannot handle based upon principles of complementarity and accessibility. These include planning and implementing the formation of major social capital at the district level, environmental conservation and management that must be performed from a wide-area point of view, and local economic policies and employment policies that are suited to the sphere of activities of people and companies and the economic sphere.

As part of this, based on the basic perspective that was mentioned above, the basic municipalities should conceivably be playing a comprehensive role that includes many of the tasks that are currently being performed by the municipalities. This is because they serve as the main constituents for comprehensive administration that broadly undertakes the role of independently and comprehensively carrying out administration in the local regions that is the most accessible to the residents.

On this point, according to the results of a questionnaire survey on city mayors,⁵ they expressed their tendency to want to continue with carrying out the tasks that have currently been allocated to all of the municipal corporations in the future, except for a few such tasks. Moreover, with regard to tasks that are only implemented by some municipal corporations, such as special cities, they expressed a tendency to seek that authority be transferred to them in many areas, such as urban planning, educational administration, and welfare administration.

A re-allocation of tasks should presumably be carried out in order to enable the basic municipalities to carry out the comprehensive role mentioned above.

There are some tasks among those that have been currently allocated to all of the municipal corporations that they are not convinced that they should be implemented by the municipal corporations. These include tasks related to welfare assistance and those related to national health insurance schemes in particular. As can be seen in the Japan Association of City Mayors' Opinions on the Reforms to the Welfare Assistance System, tasks related to welfare assistance are tasks that should be maintained at an equitable national minimum nationwide as this is a social safety net that is under the responsibility of the national government.⁶ For this reason, many of the organizations think that the national government should bear responsibility for providing such services equally. Moreover, with tasks related to national health insurance schemes there are many cases in which risk cannot adequately be disbursed at the municipal level. Therefore, as things currently stand a large number of these organizations think that these tasks should be carried out at a large level, such as that of the national government or the prefectures (or regions).

4. Matters concerning Tax and Financial Systems

(1) Sources of Funding for the Basic Municipalities

Considerations regarding modalities for the regional system should be premised on the steady implementation of the second phase of decentralization reforms. For this reason, in combination with strengthening the authority of the basic municipalities that was previously mentioned it is also thought that it will be necessary to secure their sources of funding to the greatest extent possible in terms of both the tax system and financial adjustment.

(2) Modalities for the Tax System

As for challenges for the tax system under the current arrangement, for the immediate future it will be necessary to transfer tax revenue sources from the national government to the local regions so that their allocation of tax revenue sources is 50-50 between national and regional taxes, as well as to expand the local regions' financial autonomy.

Moreover, they should strive to correct the disparities between regions when it comes to regional taxes. This should be done by enhancing and strengthening the local consumption tax and individual inhabitant tax that exhibit relatively minor regional maldistributions, while at the same time earmarking taxed items that exhibit a relatively large regional maldistribution as the funds for the regional shared tax mentioned above. In doing so it will also be necessary to erect a regional tax structure that can ensure stable tax income with minimal maldistribution in the tax revenue sources, which should be considered in a more concrete manner in the future.

(3) Modalities for Financial Adjustments

The maldistribution of tax revenue sources between regions nationwide in Japan is unavoidable, and so therefore it is indispensable to have a mechanism for nationwide financial adjustments that functions effectively and to manage this appropriately when it comes to regional finances.

The scope of the annual expenditures for regional financing plans will have to be expanded, based upon which it will be necessary to restore and augment the total amount of local tax grants while also strengthening the two functions of financial guarantees and financial adjustments. This is designed to accurately reflect the actual circumstances found in municipal corporations, such as the augmented financial demands pertaining to social security-related sectors, under the current regional tax system.

Moreover, local tax grants should be clearly defined as essentially being sources of funds that are inherent to the region, rather than something that is beneficently bestowed upon them by the national government. What is more, a plan to change local tax grants to shared local taxes should be implemented as early as possible. This plan would include hiking the legally designated rate, directly depositing the revenue in special accounts, and abolishing special adding and borrowing from special accounts. This is designed to ensure that such grants are not used solely for righting the national government's finances by shifting the burden through reductions of said grants.

Even in the event that the regional system were to be introduced, then a sound financial adjustment mechanism will be needed at the national level just the same, including both between regions and basic municipalities. In this case it would be impossible to conduct financial adjustments between basic municipalities at the regional level, and so ultimately it will be necessary for nationwide financial adjustments to be carried out both between regions and between the basic municipalities.

An analysis of this internationally would reveal that, generally speaking, states perform financial adjustments between the basic municipalities and the national government performs financial adjustments between the states, as can be seen in Germany and Canada. But with unitary nations, in principle the national governments perform financial adjustments between basic municipalities, such as in France, Sweden, and the United Kingdom.⁷

5. Forums for Consultations between the National Government/Regions and the Basic Municipalities

The Council on Local Financial Affairs (tentative title) should be established by law in order to reflect opinions from local regions into the drafting and execution of policies by the central government. This would be done by having representatives from the central and local governments hold consultations over issues that pertain to the local regions. It should be done in the interest of equality and cooperation between the central and local governments, and because having policies that have been set up based upon developments in the actual regions would be truly beneficial to the residents.

Even if the regional system were to be introduced, it will still be important to set up a venue for representatives of the national government and the basic municipalities to hold consultations like so. Moreover, it will also presumably be necessary to establish a venue where the regions and basic municipalities can hold consultations over issues like the drafting and execution of wide-area policies. For example, even if the national government transfers planning authority for things like regulatory administration to the regions by turning individual laws and ordinances into framework laws, it would still be inappropriate for the regions to unilaterally decide on the criteria and procedures for executing tasks via ordinances.

In such cases it will be necessary to systematize the holding of consultations between the regions and basic municipalities for each task.

Together with this, dispute resolution mechanisms should also be taken into consideration for cases where the consultations between the basic municipalities and the regions end in disagreement.

6. Opinions regarding Modalities for the Basic Municipalities

Even if the regional system were to be introduced under the current system, modalities for the basic municipalities will be important for the sake of promoting decentralization reforms based upon the principle of complementarity and accessibility.

According to the questionnaire survey on city mayors, in response to the question “Do you believe that the basic municipalities would be able to implement the administrative tasks that they should generally be carrying out if they had a certain population size?” 272 of the 450 organizations (60.4%) answered “Yes.” Furthermore, when asked, “If the prefectures are reorganized in the future (including the introduction of the regional system), do you think that the basic municipalities would need to be at or above a certain population size in order to engage in comprehensive financial management independently?” 420 of the 593 organizations (70.8%) answered “Yes.”⁸

On the other hand, there was no shortage of “No” answers. The reason for this is because many of them expressed a wide range of views to the effect that: “Whether this is implementable or not depends on financial resources and personnel size, it is not a matter of population size,” “There are other factors that must be taken into consideration, such as area, population density, geographical features, and economic strength, not just population size,” “Discussions over modalities for the regions and basic municipalities come first,” and “The work of the basic municipalities can be supplemented in various ways.”

In the free writing section, someone expressed the opinion that, “Through the mergers the connections between residents and local communities, which are important elements in ‘local autonomy,’ were destroyed, and so I would have to say that this was a case of putting the cart before the horse,” which points to the importance of local community measures. There were also a host of other opinions to the effect that, “Examinations of the task of transferring authority and of the financial resources should be duly carried out” and “Financial measures by the national government are crucial for the sake of transferring authority.”

Any way you look at it, it will presumably be necessary for the national government to undertake tax and financing measures that are commensurate with the expansion of the administrative tasks by the basic municipalities, as well as to take measures in areas like developing human resources in order to enhance and strengthen the structures for carrying out these tasks.

7. Conclusion

No matter what the content of the regional system turns out to be, the introduction of this system will lead to a substantial overhaul of the current regional municipality system. For this,

debates over the regional system should not be allowed to proceed forward if the municipal corporations, which serve as the basic municipalities, are left out.

When it comes to the municipal corporations, the steady implementation of the second phase of decentralization reforms is nothing less than a prerequisite for debating the introduction of the regional system. It is crucial that no procedures that would serve as impediments to efforts for promoting decentralization be accepted. Furthermore, when introducing the regional system it will also be necessary to: (1) ensure equal and cooperative relationships between the regions and the basic municipalities, and (2) make the case to all sides that the regions must absolutely be set in place as wide-area municipalities that complement the basic municipalities.

¹ **The Advantages and Disadvantages of Introducing the Regional System**

The Mid-Term Report by the Regional System Vision Advisory Body (March 24, 2008) and the Third Mid-Term Report on the Regional System by the Liberal Democratic Party's Regional System Promotion Headquarters (July 29, 2008) generally laid out the following points that have been discussed as advantages and disadvantages of introducing the regional system.

The advantages that they have pointed out include: making people more familiar with politics and government administration and clarifying their benefits and responsibilities, enabling administrative services to be provided in accordance with local circumstances and resident needs primarily by the basic municipalities, creating a diverse nation and lifestyles by correcting the overconcentration in Tokyo, achieving administrative reforms by doing away with redundant administration, establishing wide-area economic and cultural zones through local management of the regions, and establishing a central government that is adept at national strategies and crisis management.

Conversely, the disadvantages that have been pointed out include: reducing local autonomy by residents to a mere facade by expanding the distance between residents, strong regions run counter to the principle of giving priority to basic municipalities, the possibility that complementary functions for small basic municipalities will weaken, the enlargement of regional disparities due to the loss of the national government's coordinating function, the possibility that overconcentration will proceed within the regions, and the possibility that each prefectures' respective cultures, sense of community, and sense of unity will be lost.

² **Statements by Prime Ministers and Ministers of State for the Regional System concerning Decentralization Reform and the Regional System**

- Prime Minister Shinzo Abe: "I would like to see the Local Government System Research Council undertake careful deliberations on modalities for the basic municipalities, including municipal mergers, and modalities for local financial systems, including enhancing and strengthening auditing functions, that will lead to specific reform results. The aim in all this is to establish basic municipalities that can accommodate true decentralization, and to set in place a structure whereby core basic municipalities can play a leading role in regional development. My thinking is that steadily implementing these sorts of initiatives will lead to focus being placed on the regional system in the future" (address to the 29th Local Government System Research Council on July 3, 2007).
- Prime Minister Yasuo Fukuda: "Under the concept of mutual cooperation, in which the local regions and the cities support each other, we will further transfer power to local governments so that a system will be developed that enables local regions to explore ideas on their own and implement them, and we will strive for local tax and financial reforms so that the local regions can become financially independent as well. Moreover, we will accelerate our deliberations toward realizing the system of a broader regional government (*doshu-sei*), the final completion of the decentralization of power from the central government to local governments" (Policy Speech to the 168th Session of the Diet on October 1, 2007).

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- Prime Minister Taro Aso: “Naturally, the prescription for that purpose [regional vitality] differs from region to region. Uniform measures conceived by the national government are even detrimental. For that very reason, prefectural governors as well as the heads of cities, towns and villages must become managers of their respective local areas in the true sense of the word. Accordingly, I will ensure that they have the requisite authority and responsibility. This is what decentralisation means. There may be resistance from Kasumigaseki as we proceed. I myself will take these decisions. Many regional offices of the national government are inherently wasteful because of their overlap with other administrative bodies. They are beyond the reach of public scrutiny. I will transfer the functions of these offices to local governments. My ultimate goal is a “regional system” (doshu-sei) in which sovereignty rests with the regions” (Policy Speech to the 170th Session of the Diet on September 29, 2008).

 - Minister of State for the Regional System Watanabe: “I would like to strive to clearly lay out a vision for the regional system in three years, and my hope is that the advisory body will release a mid-term report in one year’s time. This regional system will put the finishing touches on decentralization reform. My hope is that as we move forward a grand vision that encompasses a major overhaul of central government ministries and agencies and a massive turn-around in the national government’s governing structure will be brought up for discussion” (address to the First Regional System Vision Advisory Body on February 13, 2007).

 - Minister of State for the Regional System Masuda: “We must further promote municipal mergers through the framework (of the new approach to mergers). We must think about the regional system as the finishing touches to decentralization on the basis of enhancing the basic municipalities” (address to the Ninth Regional System Vision Advisory Body on August 30, 2007).

³ **Differences between Unitary Nations and Federal Nations**

During the recent debate over the regional system, proposals that are thought to have been aware of modalities for “states” in federal nations were observed. But seen from an international perspective, despite the fact that they go by the same appellation of “state,” the modalities for said states are entirely different in unitary nations versus federal nations.

Federal nations refer to a political system whereby authority is separated out between two levels of government—central and regional—based upon the concept of federalism, the essential point of which is to deny the concentration of political power. It has been pointed out that, “The constitution is the only criteria for distinguishing between a federal and unitary system, or in other words the only criteria for determining whether or not a country is a federal nation. The criteria consists of whether or not a separation of powers has been clearly delineated between two levels of government within the constitution.” (Mikiko Iwasaki, *Decentralization and Federal Systems*, Gyosei Corporation, 1998, page 24).

Which state configuration a nation adopts—whether it is a unitary nation or a federal nation—is based on historical reasons such as whether the nation was established recently. The modalities for this are inseparable from the national consciousness.

Nations that adopt a federal system are deemed to have not only “integrating factors,” but also “factors opposed to the concentration of powers.” These factors opposed to the concentration of powers include the presence of highly condensed forms of regional government and communities, as well as overlapping cultural cleavages and regional cleavages. These factors opposed to the concentration of powers arise owing to historical reasons, such as independence from a colonial power (United States, Canada, Brazil, Mexico, Pakistan, etc.), the formation of confederations via the territory of sovereign nations (Switzerland), or a history of territorialism and decisions based on occupation policies by allied nations (Germany).

If you were to take a look at the chronology by which Japan was formed as a unitary nation and the national consciousness found today, you would not be able to turn up any of these factors opposed to the concentration of powers. As such, it is hard to envision Japan adopting a federal system. Therefore, if Japan were to introduce the regional system it would not switch over from being a unitary nation to being a federal nation, but rather it would most likely reassess the modalities for wide-area municipalities within the framework of a unitary nation.

⁴ **Institutions and Structures concerning the Basic Municipalities**

In unitary nations, national laws prescribe the institutions and structures related to basic municipalities. For example, in Japan matters related to the existence of the municipalities are prescribed by the Local Autonomy Act, the Local Public Service Act, the Local Government Finance Act, the Local Tax Act, the Local Allocation Tax Act, and others. The prefectures do not go any farther than stipulating via ordinance some of the requirements for those municipalities that should be cities and the requirements for those that should be towns.

Conversely, there are some federal nations that have absolutely no prescriptions for basic municipalities found within their constitutions (United States, Canada, Australia, etc.), and those that have minor prescriptions found therein (Germany, Belgium, Austria, etc.). In the former countries, modalities for basic municipalities are prescribed entirely via state law. Conversely, with the latter countries federal constitutions only stipulate the general framework for the existence of basic municipalities, such as their general authority and the fact that they are to have a parliament. Specific modalities for the basic municipalities are naturally prescribed by state law. As this demonstrates, in federal nations the states play a central role in overseeing modalities for the basic municipalities.

⁵ **Overview of the City Mayor’s Questionnaire Survey concerning the Roles that the Basic Municipalities Should Play**

The city mayor’s questionnaire survey concerning the roles that the basic municipalities should play was carried out by the Japan Association of City Mayors and the Japan Center for Cities between January 18 and February 22, 2008. As of January 2008 it had targeted 806 organizations in every city to survey them on their desired allocation of administrative tasks and capacity to handle these, measures for dealing with the difficulties in executing these tasks, and the connection between this and their population size.

Responses were received from 593 of the organizations (response rate of 73.6%), on top of which follow-up surveys were carried out by telephone and other means regarding the intended meaning of some of the responses and the results of these have been released (Japan

Center for Cities, Investigation on the Roles that Basic Municipalities Should Play, September 2008).

⁶ Overview of the Opinions on the Reforms to the Welfare Assistance System

Working together with the Japan Governors' Association, the Japan Association of City Mayors established the Investigative Committee on New Social Safety Nets and compiled the Draft Proposal on New Social Safety Nets. Based on this draft proposal they released the Opinions on Reforms to the Welfare Assistance System on November 16, 2006.

For the sake of making advance institutional preparations regarding the responsibilities of the national government, this opinion paper calls for examining radical reforms from a medium to long-term perspective. The basics of this include: (1) the creation of a defined-period welfare system for working generations, (2) the separation of systems aimed at households with elderly people, and (3) the creation of a job assistance system for those on the borderline.

⁷ Case Examples of Wide-Area Municipalities Performing Financial Adjustments between Basic Municipalities

As an example of wide-area municipalities in a unitary nation performing financial adjustments between basic municipalities, there is the Japanese city financial adjustment system, which took shape over the course of events that began in the Tokyo metropolitan era. In addition, at one point France had a financial adjustment system for between municipalities (the regional business tax equalization fund) that was carried out at the regional level, but the amount of money involved was extremely small. This system was abolished in 2005, and was integrated into general grants from the national government to the local regions.

⁸ Results of the Questionnaire concerning Population Size in the Basic Municipalities

Of the mayors who answered "Yes," many of them responded that the "basic municipality population size" is currently on the order of the 100,000 person-range. As for the choice of "population size in the basic municipalities in the event that prefectural reorganizations (including the introduction of the regional system) are carried out in the future," these were at about the same magnitude of being roughly in the 100,000 to 300,000 person-range. But even in such cases, there tended to be few responses indicating that this was in the 100,000 person-range in local areas.

The proposal entitled Modalities on Municipal Corporations in the Decentralized Era (June 6, 2005) from the Investigative Committee on Modalities for Municipal Corporations in the Decentralized Era by the Japan Association of City Mayors is an example where this was taken up for consideration in the past. It states that, "The size of the basic municipalities is something that should be determined subjectively by each region according to the respective characteristics of each region. With respect to the municipal corporations under the regional system, it will be necessary to strive to achieve a society in which cities with a population of roughly 100,000 people bear the responsibility for decentralized societies in their capacity as the standards for the basic municipalities."