

# Reflections on 30 Years of Administrative Decentralization Reform

## - Towards Redefinition of the Division of Roles between the National and Local Governments -

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If the Diet's "Resolution on the Promotion of Decentralization" is taken to mark the commencement of administrative decentralization reform in Japan, 2023 marks exactly 30 years since reform efforts began. In this paper, we find differences of opinion regarding the evaluation of these reforms: While one of our interviewees argues that the autonomy and independence of local governments have steadily increased compared to the situation 30 years ago, another believes that the national government should play a greater role in responses to emergencies such as COVID-19 and processes such as the digital transformation of society; still another sees it as problematic that the national government maintains effective control through the establishment of individual legal acts and the formulation of plans.

These views are influenced by differences in standpoints and perspectives, and do not necessarily contradict each other. While acknowledging the institutional changes resulting from administrative decentralization reform, different assessments of whether administrative decentralization has truly progressed in actual practice are possible.

The focus of discussion will be on how to redefine the division of roles between the national government and local governments, and, following this, making the relationship between the two smoother. It will be essential to consider the respective roles of the national government and local governments, with a distinction made between normal times and times of emergency. At present, we can find examples of the progressive implementation of administrative decentralization reform; however, as Japan's population continues to decline, the number of local governments that possess limited human and financial resources will increase. The creation of new mechanisms involving broader networks, incorporating the participation of private businesses, must be considered in order to support these local governments\*.

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## Introduction

If the commencement of administrative decentralization reform can be traced to the “Resolution on the Promotion of Decentralization” passed by both houses of the Diet in 1993, this year marks exactly 30 years since reform efforts began. As a result of the various reforms that followed the first administrative decentralization reform, the “Trinity Reform,” and the second administrative decentralization reform, the delegation of authority to administrative agencies has been abolished, rules for the involvement of the national government have been established, and obligations and frameworks have been revised. The transfer of authority from the national government to local governments has also undoubtedly progressed. We can certainly point to a significant change in the framework governing the relationship between the national government and local governments during this period.

However, has this series of reforms really brought about the desired local autonomy? Has there been progress in the availability of independent policy choices to local governments, and in independent decision-making by local residents? Despite the progress made in institutional reforms, it is still difficult to say whether autonomy has genuinely been realized in Japan's local communities, and whether residents are fully enjoying the fruits of such autonomy.

Given this, evaluations of the progress of administrative decentralization reform tend to differ. Some argue that reform is still incomplete and call for the expansion of local governments' independent financial resources. Others call for a further transfer of authority from the national government to local governments and advocate for local governments to have the power to stipulate laws and regulations other than, or to go further than the requirements of, national laws and regulations in their own ordinances (i.e., the “authority to override” national laws and regulations). On the other hand, there is also a movement toward more gradual reform through such means as the call for proposals by the Cabinet Office's Council for Decentralization Reform. Nevertheless, we can observe that, in general, neither the government nor the public currently shows the same enthusiasm and interest as was the case in the past era of administrative decentralization reform.

Since administrative decentralization reforms began, Japan's total population reached its peak (in 2008) and has begun to decline. Today, despite the efforts of local governments, the decline in the nation's birthrate and the aging of its population are becoming increasingly serious issues. As a result, local governments tend to be more interested in ensuring their own sustainability than in further expanding their autonomy.

Against this background, the COVID-19 pandemic represented a further blow to Japanese society. From an initial conflict of opinion over the declaration of a state of emergency and the imposition of restrictions on behavior, to issues regarding the securing of hospital beds and PCR testing, there was a clear dissonance between the national government and regional governors. Many issues were also left unresolved regarding the chain of command at health centers. Some argue that the equality between the national and local governments brought about by administrative decentralization reforms has impeded rapid response to emergencies, and point to the need for a new centralization of authority.

Our current task is to reexamine the achievements of Japan's administrative decentralization reforms since the 1990s, to reconsider the significance of autonomy and administrative decentralization, and to establish guidelines for future reforms. In this paper, we would like to explore the ideal relationship between the national and local governments from a longer-term perspective, based on the voices of national and local administrators in addition to the thoughts of researchers working on the issue from a variety of perspectives. In the future, there will be increasing momentum towards a reconsideration of the division of roles between the national and local governments, both in normal times and times of emergency. Here, we wish to raise issues that will be relevant to this effort.

## **2. Evaluating Administrative Decentralization Reform**

To begin, we will consider the significance of administrative decentralization reform. Scholar of public administration Professor Masatsugu Ito, one of our interview subjects, pointed out that administrative decentralization reform has advanced the transfer of authority from the national to the local level, and that the call for proposals has helped local governments to realize proposals, albeit in a modest way. Professor Ito indicated that “the autonomy and independence of local governments have certainly increased compared to 30 years ago, when administrative decentralization reforms began.” He further pointed out that if we divide the actors involved in reform into those seeking radical reform and those seeking gradual reform, the only way forward for the time being is through gradual reform. Professor Ito concluded that even if the pandemic increased the state's involvement, this does not mean a return to centralization; rather “the overall legal and institutional structures have neither opposed nor reversed the major trend toward administrative decentralization reform, and it will be difficult to reverse this trend in the future.” However, he also stated that the possibility of the transfer of authority from municipalities which are finding it difficult to carry out their duties against the background of a declining population to the prefectural level cannot be ruled out.

Mr. Hiroshi Osawa of the Ministry of Internal Affairs and Communications' Local Administration Bureau (his position at the time of the interview), noted that "The landscape is totally different to what it was 20 or 30 years ago." An example can be found in the term "horizontal deployment." A considerable amount of current domestic policy measures represent horizontal deployment of previous examples of practices introduced by local governments; rather than the national government providing the direction, there is more mutual learning from superior examples of measures put in place by other local governments. At the same time, however, Mr. Osawa indicated that administrative decentralization has now entered a new phase and that it is necessary to reaffirm the role of the national government rather than merely transferring authority from the national to the local level. Typical examples here are response to emergency situations and digital transformation. It is necessary to think of the division of roles between the national and local governments differently during normal times and in times of emergency. For example, during the pandemic, closer coordination between the national and local governments was important. In the area of digital transformation, it is inefficient for different municipalities to pursue their own agendas; it will be necessary to develop shared systems and platforms. With regard to human resources in the digital arena, Mr. Osawa suggested the possibility of supplying human resources to municipalities from the prefectural level.

However, Professor Akifumi Shimada, a scholar of public administration, has a different view. According to Professor Shimada, despite the administrative decentralization reforms, while control by the national government over local governments may have changed form, it remains in place, and in some respects the situation has worsened as a result of losing sight of the significance of administrative decentralization reform. The first reason for this is the persistence of national government control through existing or newly-established individual legal acts. Although the first administrative decentralization reform abolished the system of agency-delegated administration, and reform was achieved at the level of the National Government Organization Act, not much has changed in the area of individual law in terms of actually doing the work. Second, there has been an increase in the number of laws that stipulate planning, etc. by local governments. Even if the obligation to formulate plans is accepted voluntarily, against the background of fiscal constraints, municipalities have no choice but to formulate plans in order to receive financial support from the government. Through the contents of a plan, Professor Shimada indicated, it is possible for the national government to effectively control that plan in a certain direction. He pointed out that amid ongoing uncertainty, there is a tendency on the part of local governments to seek centralization rather than administrative decentralization, as they "cannot take responsibility" or "are unable to make decisions."

The views of these three interviewees reflect their differing positions and perspectives, and do not necessarily contradict each other. However, while acknowledging the institutional changes resulting from administrative decentralization reform, the above interviews indicate that it is

still possible to hold differing opinions as to whether administrative decentralization has truly progressed in actual practice. It will be necessary to reexamine the role of the state, with a focus on emergency response and digital transformation, and to examine the division of roles between the state and local governments.

### **3. Examples of Initiatives in Regional Areas Post-decentralization Reform**

Here we would like to introduce some interesting examples of initiatives in regional areas following administrative decentralization reform that were referenced during the interviews.

The first is the case of the former town of Ajimumachi (now Usa City) in Oita Prefecture (see Akifumi Shimada, “Seidoka no seijigaku: Seidoka arīna no jūyōsei to bunken kaikaku no igi” (The Politics of Institutionalization: The Importance of the Arena of Institutionalization and the Significance of Decentralization Reform), Jichi Soken, January 2009). Guided by an example from Germany, this region conducted green tourism activities, in which urban residents were invited to stay at farmhouses during the busy farming season in order to deepen exchanges with the local community. However, as the number of visitors increased, the administration began to point to infringements of the Hotel Business Act and the Food Sanitation Act. Prior to the enactment of the Omnibus Decentralization Act, it was difficult for the prefectural government, which had been directing the activities under the guidance and supervision of the national government (in this case the then-Ministry of Health and Welfare, now the Ministry of Health, Labour and Welfare) as an agency to which authority was delegated, to deregulate or grant business licenses. However, as a result of the change from delegation of authority to autonomous administration, directives became mere technical standards, and the prefectural government responded by formulating its own licensing policy. But while administrative decentralization reform has increased the degree of discretion in autonomous administration, it has not necessarily penetrated to the ground level. In this case, we can say that a positive result was achieved through a request from citizens and the efforts of the administration in seeking a solution together with citizens. In taking different approaches, local governments are required to establish new grounds for their actions; the key here will be whether such cases continue into the future.

The second case study is Manazuru Town in Kanagawa Prefecture. Manazuru Town is a port town facing Sagami Bay, which became nationally known as a result of the “Manazuru Town Development Ordinance” enacted in 1993, commonly referred to as the “Beauty Ordinance.” In the late 1980s, the government's Act on Development of Comprehensive Resort Areas came into effect, and the construction of condominiums accelerated throughout Japan. In response, the

then mayor of Manazuru Town, Kuniyuki Miki, who was elected on a platform of opposition to condominium construction, created this ordinance. The mayor and other municipal officials, together with lawyers, architects, urban planners, and others, extensively discussed and drafted the ordinance. It is interesting to note that one of the “Eight Principles of Beauty” in the design code stipulated by the ordinance, “Standards of Beauty,” is “community.” The fact that architecture fosters and maintains community is itself considered “beauty.” In addition, the Standards of Beauty are not based on numerical limits for landscaping, but rather on abstract and qualitative language. This Beauty Ordinance is being used as a creative method to seek optimal solutions by discussing “what is beauty” together, rather than simply regulating developers by setting numerical standards.

According to Mr. Naoya Urabe of the Manazuru Town administration, another of our interviewees, the second and third generations who came to Manazuru Town attracted by the “Beauty Ordinance” are now working with the town's long-time residents to create a new community. In highlighting the unique lifestyle offered by Manazuru Town and the town's sense of community, by contrast with Tokyo, the Beauty Ordinance has been a major force in attracting a flow of new residents to the town, especially IT engineers, designers, and creators, who are relocating and starting businesses. Similarly, it has also spurred the entry of IT companies and other businesses, for example by attracting satellite offices, an initiative pioneered by Kanagawa Prefecture even before the pandemic. It is noteworthy that the town's unique “beauty standards” are the driving force behind the creation of a new community.

Although different in kind from the above two cases, the relationship between administrative decentralization reform and disaster response is another important point. In response to the Great Hanshin-Awaji Earthquake of 1995, which occurred before the Omnibus Decentralization Act was enacted, it was the responsibility of the national government to take the lead in disaster management, but information from the affected area was fragmented, and essential information did not reach the Prime Minister's Office. In response, the situation was improved - for example, the crisis management functions of the Prime Minister's Office were enhanced, and the conditions for dispatching the Self-Defense Forces for disaster response and rescue were relaxed - but challenges still remain. Of particular importance is the significance of administrative decentralization in disaster response. When disasters occur, it is sometimes more rational for local governments to act based on their own judgment, given that they are at the epicenter of the crisis. In such cases, it is essential to allow local governments to exercise discretion and at the same time smoothly link discretionary actions with support from the national and prefectural governments. However, this is not always well institutionalized and often depends on personal relationships among administrative leaders.

The Kumamoto earthquake of 2016 made this clear. In this case, rescue operations were delegated from Kumamoto Prefecture to Kumamoto City under the Disaster Relief Act, but according to Kumamoto Mayor Kazufumi Onishi, there were numerous instances of confusion on the ground as to which entity should take responsibility and which should bear the burden of expenses. Thanks to a hotline between Mayor Onishi and Kumamoto Governor Ikuo Kabashima, the cooperation between the prefecture and the city in the actual rescue operations was generally successful, but some issues remained, such as the scope of delegation of authority. As the result of a revision of the Disaster Relief Act, Kumamoto City is now designated as a city that will implement rescue operations in the event of a disaster. However, Mr. Onishi pointed out that it would be preferable for municipalities in urban areas (mainly government-designated cities) possessing sufficient human resources to provide prompt rescue response, while prefectures focus on wide-area coordination and rescue services outside of major urban areas. Clarifying the division of roles between municipalities, prefectures, and the national government in the event of a disaster remains an issue for the future.

#### **4. Conclusion and Future Issues**

What did the interviews discussed above reveal?

Clearly, evaluations of the current status of administrative decentralization reform are diverse: one of our interviewees argued that the autonomy and independence of local governments are steadily increasing compared to 30 years ago; another argued that the role of the national government should actually be strengthened in responses to emergencies such as the pandemic and in relation to digital transformation, while still another sees effective continuation of national government control through individual acts and the formulation of plans as a problem. However, what all of these positions have in common is that they recognize that there has been a certain degree of achievement in administrative decentralization reform, and it is difficult to deny the significance of the reforms as a whole. The focus of the debate will be on how to redefine the division of roles between the national government and local governments based on the achievements realized thus far, and how to make the relationship between the two smoother in the future. It will be necessary to distinguish between the roles to be played by the national government and local governments in normal times and in times of emergency, and at the same time, it will also be vital to increase the efficiency of processes such as digital transformation by standardizing those aspects that are able to be standardized.

There are some cases in which the significance of administrative decentralization reform can be seen in practice. An interesting case in point is the former town of Ajimumachi, in Oita Prefecture, which has established its own licensing policy for the town's green tourism activities with the change from delegation of authority to an agency to autonomous administration. The question is whether local governments will be able to continue to set such unique standards in the future. Another striking example is Manazuru Town in Kanagawa Prefecture, which is implementing a unique community development process spanning generations, based on its own "Beauty Ordinance." It is noteworthy that the town values not only economic efficiency but also the sense of beauty rooted in the traditions of its residents, ensuring that the movement for change will not be a temporary one. The case of Kumamoto City, where the local government played an important role in disaster relief efforts and realized cooperation with the prefecture and other municipalities, is also instructive.

Nevertheless, as Japan's population continues to decline, the number of municipalities with limited human and financial resources will only increase. Even in the case of the supply of human resources in the digital arena, there is a significant gap between major metropolitan areas such as Tokyo and municipalities. In the future, the flow of human resources and cooperation beyond the boundaries of local governments will become essential. We must consider new mechanisms to support municipalities which will no longer be able to provide public services on their own through broader networks that incorporate the participation of private-sector businesses.

After 30 years of administrative decentralization reform, it is necessary for us to reaffirm its achievement and take a new step forward. NIRA will continue to seek directions towards the realization of this goal.

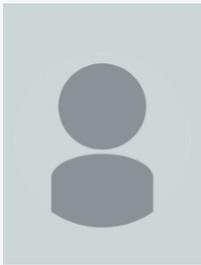
### Note

\* In compiling this report, we interviewed Professor Masatsugu Ito of Tokyo Metropolitan University; Naoya Urabe, Director, Strategic Promotion Section, Policy Division, Manazuru Town; Hiroshi Osawa, then Director-General of the Local Public Service Personnel Department, Local Administration Bureau, Ministry of Internal Affairs and Communications; Kazufumi Onishi, Mayor of Kumamoto City; and Professor Akifumi Shimada of Kyushu University. We would like to take this opportunity to express our gratitude to all of our interviewees.



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