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Decentralization and Local Governance  
: Reinforcing Democracy and Effectiveness of Local Government

Tatsuro NIIKAWA

Professor of Public Administration Theory

Dean of the Graduate School of Policy and Management

DOSHISHA University

e-mail: [tiiikawa@mail.doshisha.ac.jp](mailto:tiiikawa@mail.doshisha.ac.jp)

Abstract:

This paper deals with the decentralization reform which has been adopted in many countries. There are two parts that the first one presents the theoretical overview of decentralization and local governance and the second analyses the Japanese decentralization reform. The keynote of this paper is that a main purpose of decentralization is not the decentralization itself, but the development of local good governance. One of the most important issues in the government reform is how to establish the local good governance in the decentralized system.

In the first part, I will depict the meaning and variety of decentralization perspective. And, local governance change in the decentralization reform era will be clarified. Then, I will answer the question: what is the decentralized local governance. I try to propose the three steps of local governance perspective that have developmental stages from the good governance of local government, through the network governance of local government, to the partnership governance in local community. For realizing this governance perspective, it is necessary to reform the local government itself, and then change the central-local government relationship.

In the second part of this paper, the Japanese decentralization reform and local governance practice will be studied. In 1990's, there were enthusiastic atmosphere of decentralization reform in Japan. I will show the backgrounds of this reform from the standpoints that include the governmental system problem, the economic depression and financial crisis, and the maturity of local citizenship and local government capability. Then, the short history of decentralization reform will be presented, and the results and impacts of decentralization will be analyzed. Although some critics call the decentralization in Japan "Incomplete Reform", we can see the so much change of local governance. It means the transcendence from the central government centered governance to the local government centered governance and then to the partnership governance among local community people, NGO/NPOs, private companies, and local government. It seems to me that the partnership governance has not yet been achieved and will not be realized in near future.

## 1. Decentralization reform and its perspective

### 1-1. Definition of Decentralization

The decentralization includes several meanings as follows;

The first is the dispersion of function from center to local, which means the functional division between center and field office within the central government. Delegation of power from center to local is also used in the context that central government delegates its power to the local agency.

Secondly, in contrast, the devolution of power means the shift of authority from central government to local government, which goes with the reallocation of tax resources between central and local government usually. In this paper, the decentralization means this second definition.

In this meaning, the decentralization reform requires the reform of central-local government relationship and the autonomy of local government. As the local government and local community achieve their autonomy and self-help, they can activate local resources successfully in order to pursue the economic development of region or locality.

As each country has each local government system, the decentralization reform in practice is various. For instance, the decentralization has different meanings between the countries which has only municipality level of local government and has regional and local level of local government. The French decentralization reform in 1980s has been characterized in the regional and department level reform. In French case, the focus of decentralization was on the devolution and liberalization of department. It seems that it was same in Japanese decentralization.

The characteristics of decentralization are much different whether the level of decentralized local government is municipal or regional as mentioned above. Also, there are many differences whether the local government system is a single-layer or multi-layer. In the multi-layer system we have to take account of the regional-municipal government relationship and the decentralization from regional to municipal.

In any case, the municipal or community level decentralization is likely to empower the municipal level government. In usual, the municipal government is most near to local people. It means that the municipal government has a key role as a base of local governance and its empowerment is critical to the local people who participate in the local governance.

In case of regional level decentralization, the reconstruction and liberalization are implemented, because the regional level government has been an agency of central government or under the strict control of central government. The decentralization and empowerment of regional government are usually to achieve the regional economic development and the capacity building to support and assist the municipality.

### 1-2. Why Decentralization and Local Governance?

The background or origin of the decentralization reform is seemed as follows:

The first is the dysfunction of centralized decision making system, in which the central government cannot provide the local optimum resolution to each community in different condition. The

decentralization reform focuses on the local or regional differences and tries to build the capability of problem-solving in each local government.

The second is the inefficient resource consumption. The centralized resource allocation system, for instance tax resource allocation system, has been failed in the efficient and effective expenditure of central and local government. The centrally raised tax and locally consumed resource system is useful for the central government to control the local expenditure and decision making. However, that system has obscured the relationship between revenue and expenditure in locality, and the local people cannot watch and control the finance of their local government. While the local people tend to demand many things to the local government without the cost consciousness, the degree of their satisfaction to the local government activity is decreasing. In result, there becomes the failure of resource allocation.

The third is the maturity of local government system and local citizenship. In each country, as we have the long traditions of local government historically, the local government and local people have had the long experience of local governance. It is natural that each locality has accumulated the know-how and skill of operating local governance and nourished the philosophy of local autonomy.

The factors mentioned above are promoting the decentralization reform and then affecting the reorganization of local governance. In turn, the local governance should be more responsible and accountable for the local people, and the local government should be more democratic and efficient.

### 1-3. Local Governance Change

What kind of local governance do we have to study? In this paper, it is one of the types of “good governance” which has been stressed by the World Bank in these two decades. Towards local “good governance”, there are several principles or preconditions as follows:

(1) The establishment of local democracy is most important, in which there must be elected council, universal suffrage, citizen participation, etc.

(2) The efficiency and effectiveness of local government have to be secured.

(3) The rule of law principle is strictly observed. The prerequisite of the rule of law is a statutory form system which includes the substantive enactment. Also the law concretely provided should require the due process and fairness doctrine.

(4) The exclusion of corruption is important in practice. It is not easy to eliminate the corruption. But there are some measures: the training of ethical standard, the introduction of ethical code system, the stimulating motivation, and so on.

In the decentralization era, the good governance is a minimum standard of local government. In addition, the decentralized local governance needs more capacity or capability because the decentralized local government has more power and resources and has to put them into effect efficiently. As more democratic and efficient localities are needed, there must be the development and reform of local government and local people. The local government’s reform by itself is difficult through its own effort because of the lack of driving force in itself. Also, the development of local people’s capacity is not easy through their own effort. The interaction between local government and local people enables mutual change and reform. This is one of the most important aspects of new local governance.

#### 1-4. Local Governance evolved:

Operating the decentralized system, local governance has to be evolved in order to make effective use of powers and resources. It seems that there are three steps of evolution in local governance. The first step is responsive type of local governance, the second step is the network type of local governance, and the third step is the partnership type of local governance.

The responsive local governance means the good governance of local government. Also it has the effective and efficient public service provision. The responsive local governance ought to carry out its duty of responsibility and accountability for local people, and provide the chance of citizen participation. While the citizen participation is increasing, the local governance begins to change to the network governance.

The network governance is composed of the cooperation and responsiveness of local actors. Local actors are mutually networked and exchange their information among them. The community action group, private company, and NGOs are the actors. Also there is a networking among local government and many local actors which operate for organizing the issue network and then policy network in specialized area. This network functions in the participative decision making process of local government which attain more effective and efficient policy outcome. In the network governance, the actors learn and grow in the operation of local governance, which is the partnership governance.

The partnership governance, providing that the local people acquire the maturity as a owner and user of power and control in locality, is characterized by the equal partnership between local actor and government, the cooperation of provision of public services among them, and the effective and efficient use of local resources through the cooperation. The partnership governance will keep and secure the sustainability of community.

#### 1-5. Local government reform

Toward local good governance, the local government and local people have to change themselves. The local government is a most important actor in the community life and has to be reformed for new local governance.

Attaining a good governance of local government itself, there must be the capacity building of local government, which includes the local government reform, the increase of organizational capability of good decision making and service provision, the stable and good financial condition of local government and community, and the capacity building of local public personnel.

The local government reform is usually adopting the following measures; the cost cutting, the restructuring and re-engineering, the privatization and outsourcing, and the performance measurement and policy evaluation.

In those reforms, the critical element is the local public personnel and the local people. Their capacity building is decisive for the function of local governance. In order to build their capacity, there must be the chance of training and participation in partnership scheme of local governance. Concretely speaking, the

participatory planning, practicing and evaluating of the performance of local governance provide the opportunity of training towards anew local governance.

## 2 Local government reform: decentralization and smart local government

### 2-1. Decentralization reform in Japan:

In this decade, Japanese central government has proceeded to the decentralization reform. Before the decentralization reform in Japan, there were many proposals and opinions which articulated to strengthen the local autonomy and the power of local government. At last, this reform has been realized. The general election of Japan in 1993 was a one of the starting points of decentralization. The most of political party platform insisted the decentralization reform among others.

The Diet enacted the Decentralization Promotion Act 1995 which provided the establishment of advisory board of the Decentralization Promotion Committee. The committee issued 5 recommendations which included the devolution to the local government, the abolition of agency-assigned functions, the rationalization of the central government's commitment to the local government, the review of categorical grants, the deregulation of rigorous standard of local organization and operation, and so on. These recommendations of the Decentralization Promotion Committee were made in 1996-1998.

The cabinet decided the Decentralization Promotion Plan of Government in 1998 and in 1999 which reflected the recommendations near-perfectly. The Comprehensive Decentralization Act in 1999 was passed and implemented in 2000. The new local government system started. However in the central government and the ruling parties, there was some anxiety that the local government, especially small towns and villages, might become overloaded and not be able to practice the delegated power. In order to build the capacity of municipality, the new Amalgamation Promoting Law was enacted in 1999.

After the new law was introduced, the Decentralization Promoting Committee took action and issued the final report, in which it insisted that there needed the second phase of decentralization reform focused on local financial affairs. To tackle with this problem, central government established another committee and it recommended the financial reform of trilogy in 2002. This reform means the streamlining of the central-local financial relationship and the cutback of transfer from national to local government. It retrenched the categorical grants and local allocation tax, and redistributed the tax resource to the local government. This reform of the Inter-governmental Finance System was completed in 2004-2006 and the amount of the transferred resources is 60billion U.S \$.

### 2-2 Background of Decentralization Reform in Japan

The reason why the Japanese government practiced the decentralization reform has several factors. At first, it seemed that the centralized decision making system which had been effective in the era of economic growth was becoming dysfunctional. The second is the inefficiency of resource allocation

which could not respond the local demand. The third is the mature of socio-economic structure; for example, low rate of economic growth, the high wage level, and the completion of social security. The fourth is the demographic change: decreasing younger age, increasing aged population, and decreasing population.

In this environment, it was believed that the social system must be changed and become the decentralized community based society. In order to transcend the system, it seemed that the decentralization reform was inevitable.

### 2-3 Result of Decentralization by Central Government

Basically the characteristics of the decentralization reform are that it was planned and implemented by the central government. The local government and its league pressured the central government to decentralize radically, but they were not the main force of the reform. Then, there is a limitation of the results of decentralization reform.

One of the most prominent reform results is to increase the authority of local government through the devolution. Over half of agency-assigned functions of 540 acts are becoming local government functions, and some of the jurisdictions are devolved to the local government.

The second feature of the reform results is the enlargement of freehand of local government which means the larger power of local discretionary. Once the local government was ordered to organize and operate along with the regulation and guideline of central government, the reform liberated the local government.

The third result is to strengthen the local government management and capacity through the amalgamation of municipality and local administrative reform schemes, etc. The amalgamation of municipalities has been experienced in the two-third of municipalities, and the number of municipality is drastically reduced from 3200 of year 1999 to 1800 of year 2006. The amalgamation reinforces the organization and finance capability of local government, though it caused the conflict among the central government, the local government, the local politician, and the local people who were in opposition.

### 2-4 Failure of Decentralization and Governance Issues remained

Unfortunately, this reform is very limited one through the strong commitment of central government. It seems to fail the achievement of main purpose that is the decentralized society building in Japan. The decentralized society in Japan means the autonomous locality which is concerning with the change of social, economic and political system.

There was a perspective in some reform proposals that the decentralization would be proceeding to the federal like system. Although Japan is a unitary state, some proposals have the orientation toward the quasi-federal system. However, in the recommendation, the unitary system was strictly maintained because the introduction of federal system required the amendment of the Japanese constitution.

Most problematic failure of the reform is concerning to the citizen participation. The recommendation did not ensure and enlarge the right of citizen participation. Only they mentioned that the mayor or governor might adopt the more citizen participation discretionary. For the local democracy and

governance, the citizen participation has critical importance. Unfortunately there was no institutional change to reform the means of democratic participation and the right of political participation.

In result, while the decentralization reform tries to be guided by the principle of the subsidiarity as a rule, we find the substantial paternalism in the introduction of state intervention system and the powerless participation. There is little empowerment to citizen, and little chance to realize the resurgence of civil society. We have to reorganize the local governance in order to function the partnership between citizen and the local government.

## 2-5. Crisis of Local Governance: Background of Local Government Reform

The Japanese local government has been facing with the crisis which has come from interior and exterior. On the one hand, the urbanization and industrialization have made the decline of community bond and citizen's activity. Then population migration has made the rural area depopulated. Except the metropolitan region, we can find the sustainability crisis of local community everywhere in Japan. On the other hand, the decentralization has influenced the local economy and social structure. In the area where is no hi-tech industry or automobile industry, the economic depression has impacted local community people deeply.

The local community has to become resolving these problems by themselves through the decentralization reform, because the Japanese central government also has suffered the financial difficulty. As a result, it was expected for the central and local government to implement the reform of central-local relationship, and strengthen the local government to be autonomous from central control. Then, each municipality which is decentralized should have the power to do decision-making by itself and to be responsible for its residents.

Beside the decentralization reform, the local governance of each municipality has been changed. Although the local government faces the limitation of resources, it has to be accountable and responsible for local people and then fulfill the local demand. In order to resolve the problem, the local government begins to adopt the partnership approach which provides the public service more flexibly and appropriately. Some local government is introducing the Public Private Partnership scheme and outsourcing the service to non-profit sector and for-profit sector. Also it means the change of the local governance, in which the local governance is likely to be from the good governance of local government to the partnership governance.

## 2-6. Changing Environment and Reconstruction of Local Governance

In general, Japanese local government has been experiencing the environmental change of its community. The first one is the maturity of socio-economic structure which means the low rate of economic growth. Second is the demographic change which is expressed in the decreasing population and increasing aged population. Third is the different impact of structural change which happen the contradiction between urban and rural.

It is needed to reconstruct the local governance and local democracy under the cross pressure. Through the capacity building of local government and governance with the decentralization, we expect to achieve

the indigenous local economic development and the independent self-help localities, and also we will have the effective and efficient local services and realize the sustainable community. In this reconstruction, it is necessary to strengthen the local government through the decentralization reform, to democratize the local community and to activate the citizen movement, in which the critical element is the devolution to citizen or private sector. In order to democratize and revitalize the local community, we have to reorganize the responsive governance which is composed of the public-private partnership and the network of civil society.