

Municipal Amalgamation in Japan: background, experiences and outcomes

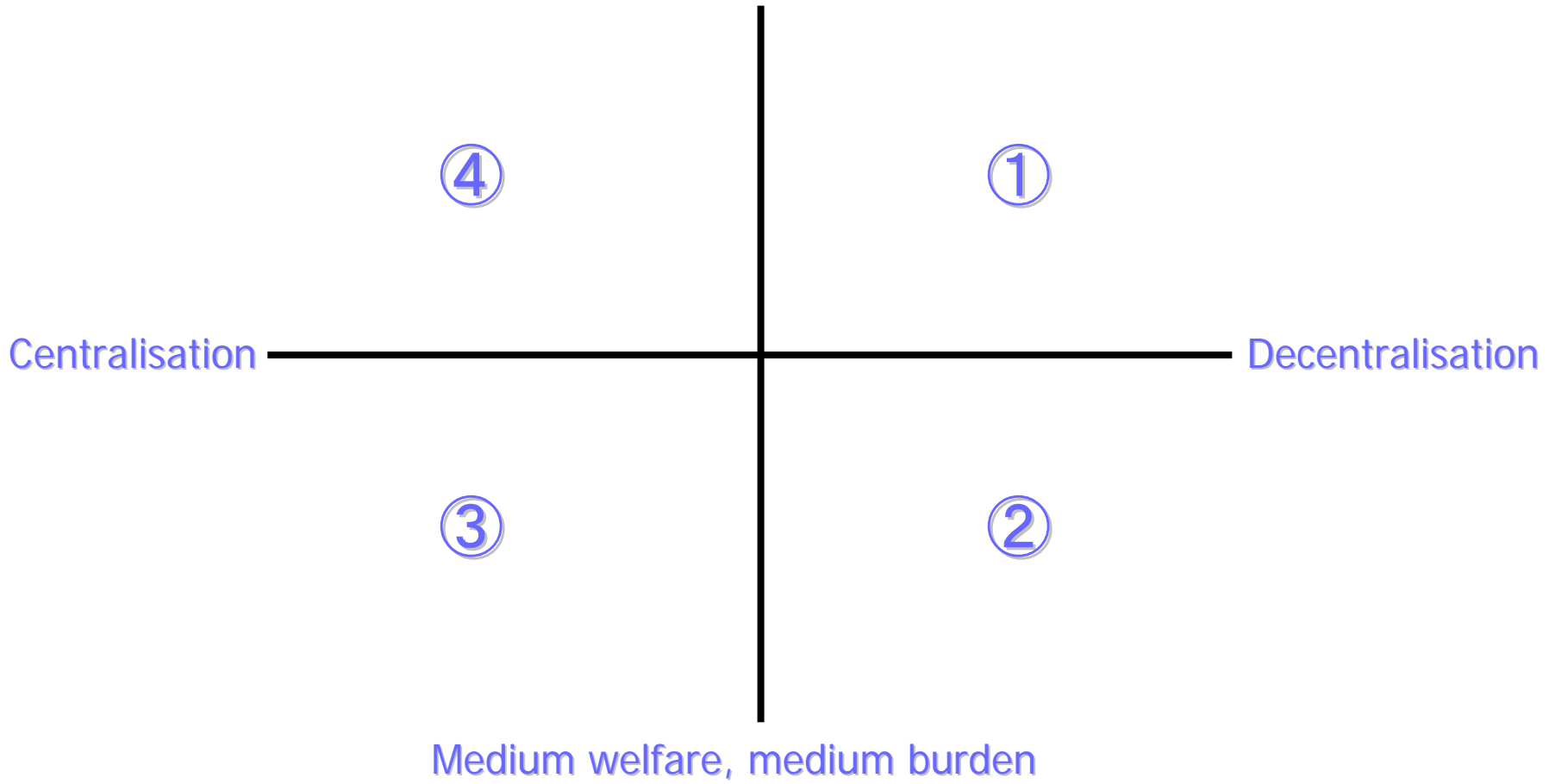
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1. The decentralisation movement

- 1993** National Diet resolution for decentralisation
- 1995~2001** Decentralisation Promotion Committee established
- 1999** Comprehensive Law on Decentralisation enacted
 - Review of legal relationship between central government and regions
 - Municipal amalgamation
- 2001~2006** Reform of taxation and revenue as part of structural reform by Koizumi Government
 - Reform of subsidies, transfer of tax resources, reduction of local allocation tax
- 2007~2009** Decentralisation Promotion Committee
- 2009~** Decentralisation reform by Democratic Party of Japan Government
 - Loosening of regulations
 - Transfer of authority from prefectures to municipalities
 - Review of local branches of central government

2. Decentralisation reform: Small and Large government

'Small' (cheap) government



3. The Municipal Amalgamation Law

Comprehensive Law on Decentralisation

July 1999

April 2005

April 2010

Municipal Amalgamation
Promotion Law (Revised) 1999

Municipal Amalgamation
Promotion Law (Revised) 2005

Promotion of municipal amalgamation

Amalgamation promoted as a national policy
→ Prefectural governments to encourage municipalities to progress amalgamation

Financial incentives put in place

Special guarantee measures for amalgamated municipalities

Special advantageous bonds for amalgamated municipalities

Municipal Amalgamation Law 1965

(Designed to remove barriers to amalgamation, neutral on amalgamation)

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31 March 1999

3,232 (670 cities, 1994 towns, 568 villages)



31 March 2006

1,821 (777 cities, 846 towns, 198 villages)



31 March 2010

1,730 (786 cities, 757 towns, 187 villages)

4. Changes in number of municipalities and features of the great amalgamations of the Meiji and Showa eras

The great amalgamation of the Meiji era

Simultaneous with enactment of the *City Code* and the *Town and Village Code*, which aimed to establish a modern system of local government, towns and villages were amalgamated nationwide by setting a standard of some 300 to 500 households on the basis of the *Announcement of the Standard for the Mergers of Towns and Villages* (Home Minister Directive No. 352 issued on June 13, 1888). This was to eliminate the gap between a size appropriate to administrative objectives (education, tax collection, public works, relief work and administering the family register) and the size of a town or village as a local government unit (natural communities dating from the Edo period). The number of towns and villages decreased as a result to about one fifth.

The great amalgamation of the Showa era

After World War II, administrative duties such as the construction and management of junior high schools under the new education system, establishing municipal fire services and local government police, and new duties relating to social welfare, health and sanitation, were assigned to municipalities. It was deemed necessary to rationalise municipal size to facilitate efficient completion of these new administrative duties. The *Municipal Amalgamation Promotion Law of 1953* (Article 3 of which provided a standard of at least 8,000 residents for towns and villages) and the subsequent *Law for the Promotion of Construction of New Municipalities of 1956* facilitated achievement of the *Basic Plan for the Promotion of Municipal Amalgamation* (resolved by Cabinet on October 30, 1953). This was sought to achieve a target to decrease the number of towns and villages to about one third. The population considered necessary for the efficient construction and management of a new high school was set to be more than 8,000. Between 1953 and 1961 the number of municipalities decreased to roughly one third.

year	1888	1889	1920	1930	1940	1950	1960
number of municipality	71,314	15,859	12,244	11,864	11,190	10,500	3,574
year	1970	1980	1990	2000	2005	2010	
number of municipality	3,331	3,256	3,246	3,230	2,217	1,730	

5. Core issues in municipal amalgamations

System of local government

**Administrative
system of
Municipalities**
(staffing levels and
organisations)

**Allocation of
duties to
Municipalities**
(through
legislation and
cabinet order)

System of local public finances

**Guarantee of
financial
resources
commensurate
with duties
allocated**

6. Disparity in size and authority of municipalities

Administrative authority

Certificate of residence, family register, fire prevention, primary and junior high schools, rubbish collection, national health insurance, care services and insurance, tax, consulting, water and sewerage, industry development, tourism, culture, sport and social education, local government public relations, medical services

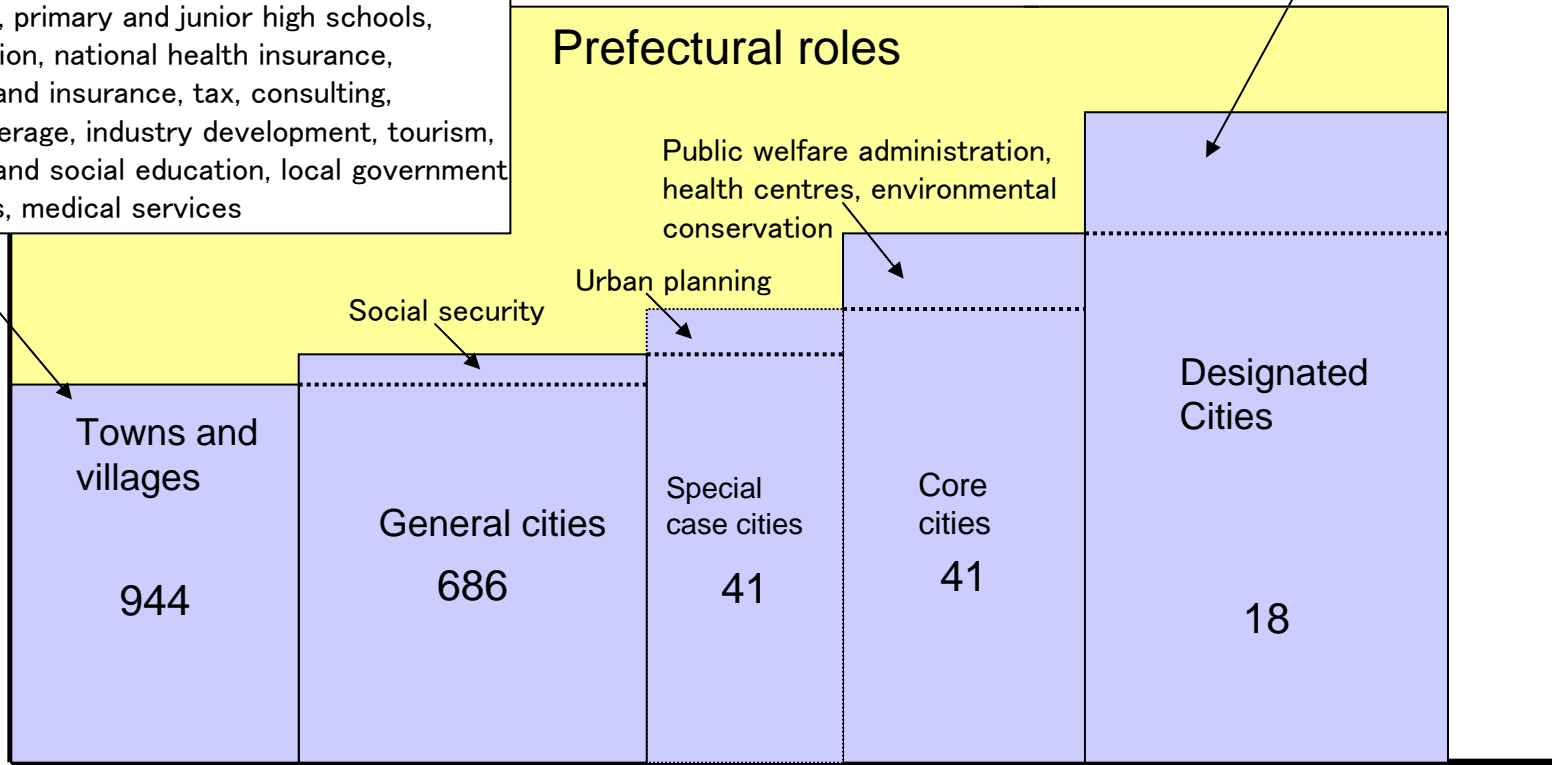
Public welfare, health and sanitation, urban transport, urban planning

Prefectural roles

Public welfare administration, health centres, environmental conservation

Urban planning

Social security

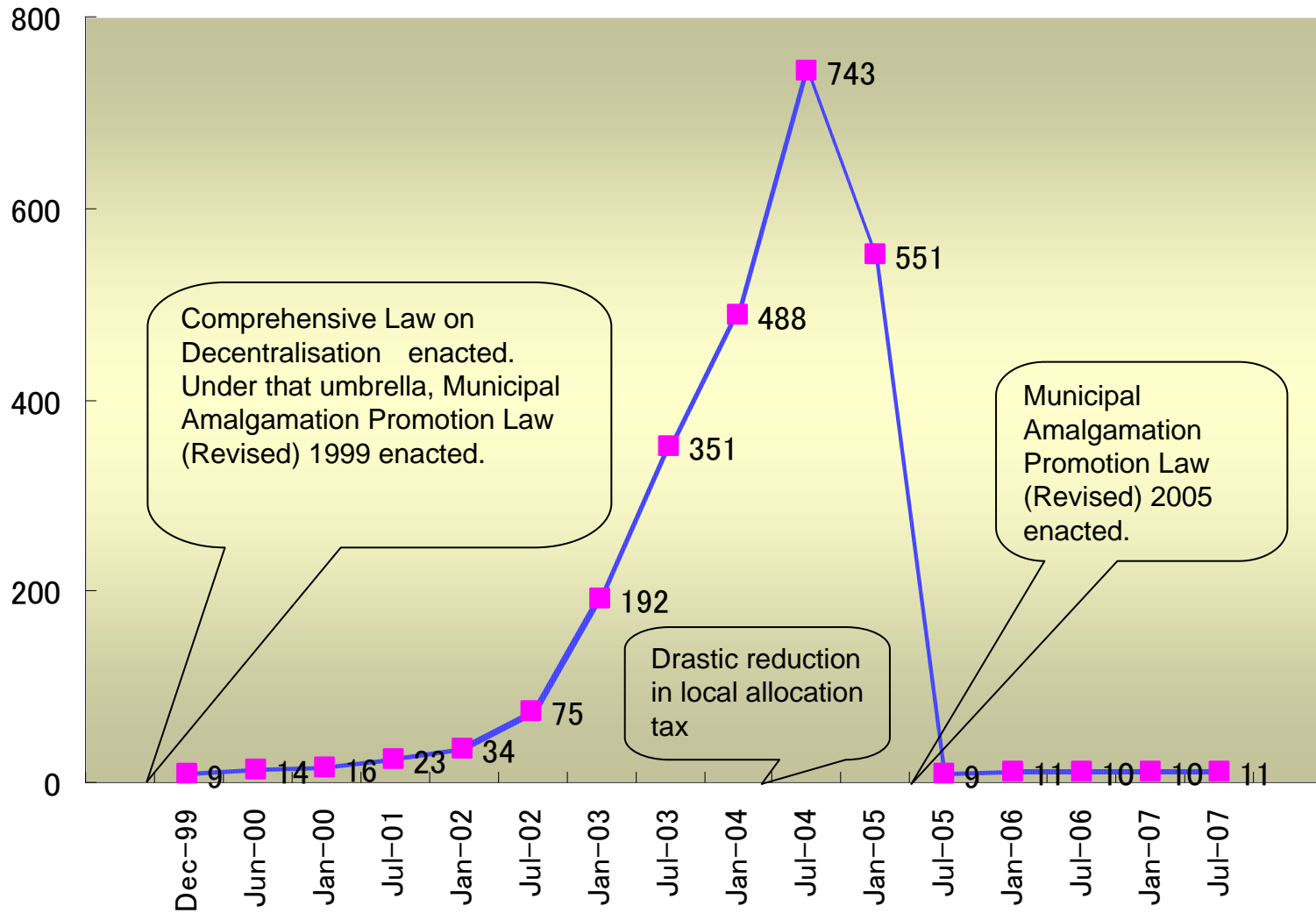


Population size

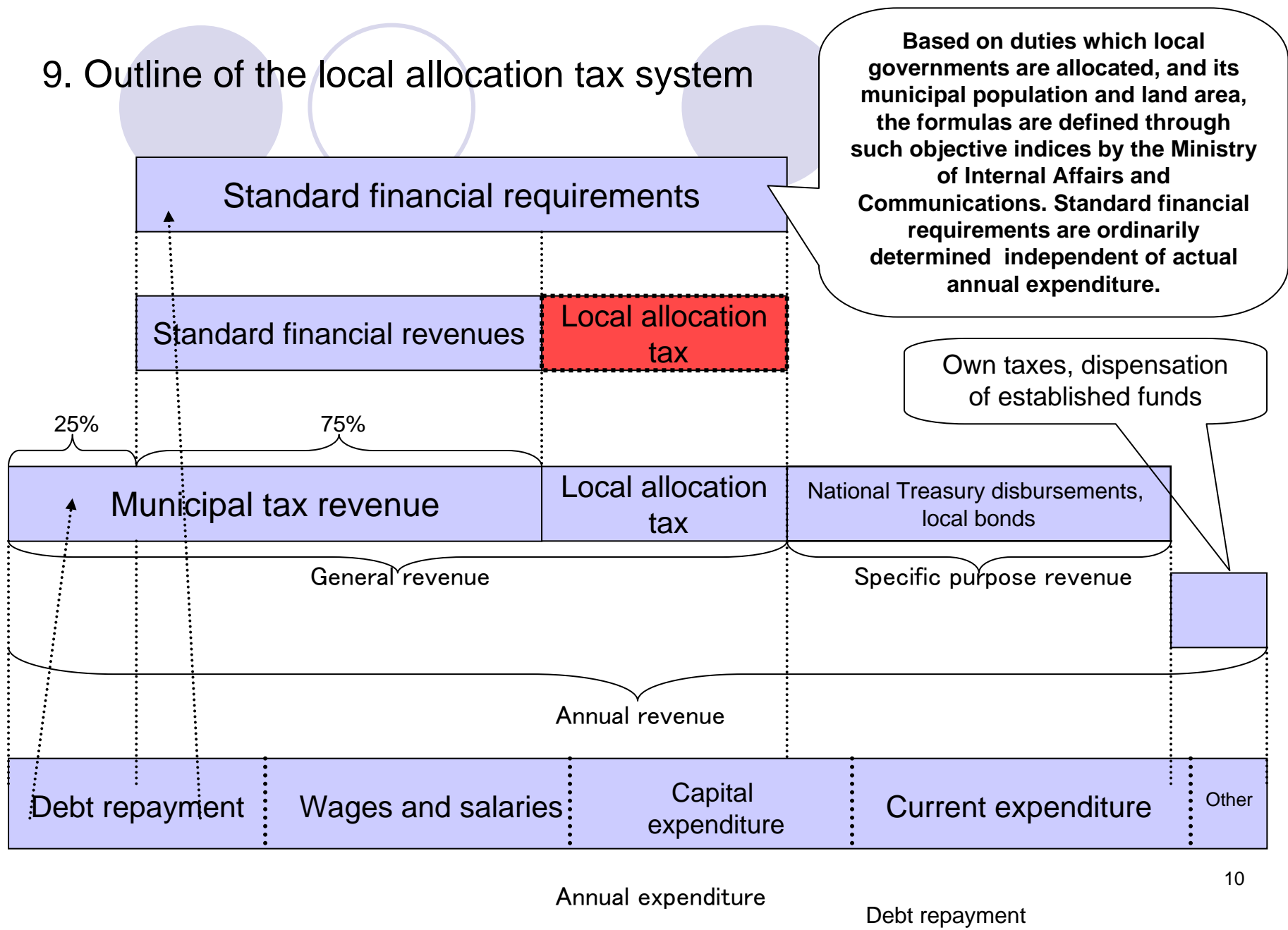
7. Change in number of municipalities pre and post Heisei Era great amalgamation, by population

scale of population	number of municipality	(ratio)	cumulative number	(ratio)	number of municipality	(ratio)	cumulative number	(ratio)	number of municipality	cumulative number
	31-Mar-99				31-Mar-06				rate of decrease	
under 1,000	42	(1.3)	42	(1.3)	22	(1.2)	22	(1.2)	47.6	47.6
1,000 – 5,000	635	(19.6)	677	(20.9)	196	(10.8)	218	(12.0)	69.1	67.8
5,000 – 10,000	860	(26.6)	1,537	(47.6)	270	(14.8)	488	(26.8)	68.6	68.2
10,000 – 20,000	712	(22.0)	2,249	(69.6)	333	(18.3)	821	(45.1)	53.2	63.5
20,000 – 30,000	274	(8.5)	2,523	(78.1)	196	(10.8)	1,017	(55.8)	28.5	59.7
30,000 – 40,000	168	(5.2)	2,691	(83.3)	157	(8.6)	1,174	(64.4)	6.5	56.4
40,000 – 50,000	94	(2.9)	2,785	(86.2)	106	(5.8)	1,280	(70.3)	-12.8	54.0
50,000 – 100,000	227	(7.0)	3,012	(93.2)	280	(15.4)	1,560	(85.6)	-23.3	48.2
100,000 – 200,000	115	(3.6)	3,127	(96.8)	149	(8.2)	1,709	(93.8)	-29.6	45.3
200,000 – 300,000	41	(1.3)	3,168	(98.0)	39	(2.1)	1,748	(95.9)	4.9	44.8
300,000 – 500,000	43	(1.3)	3,211	(99.4)	48	(2.6)	1,796	(98.6)	-11.6	44.1
500,000 – 1,000,000	11	(0.3)	3,222	(99.7)	14	(0.8)	1,810	(99.3)	-27.3	43.8
over 1000000	10	(0.3)	3,232	(100.0)	12	(0.7)	1,822	(100.0)	-20.0	43.6
total	3,232	(100.0)			1,822	(100.0)				

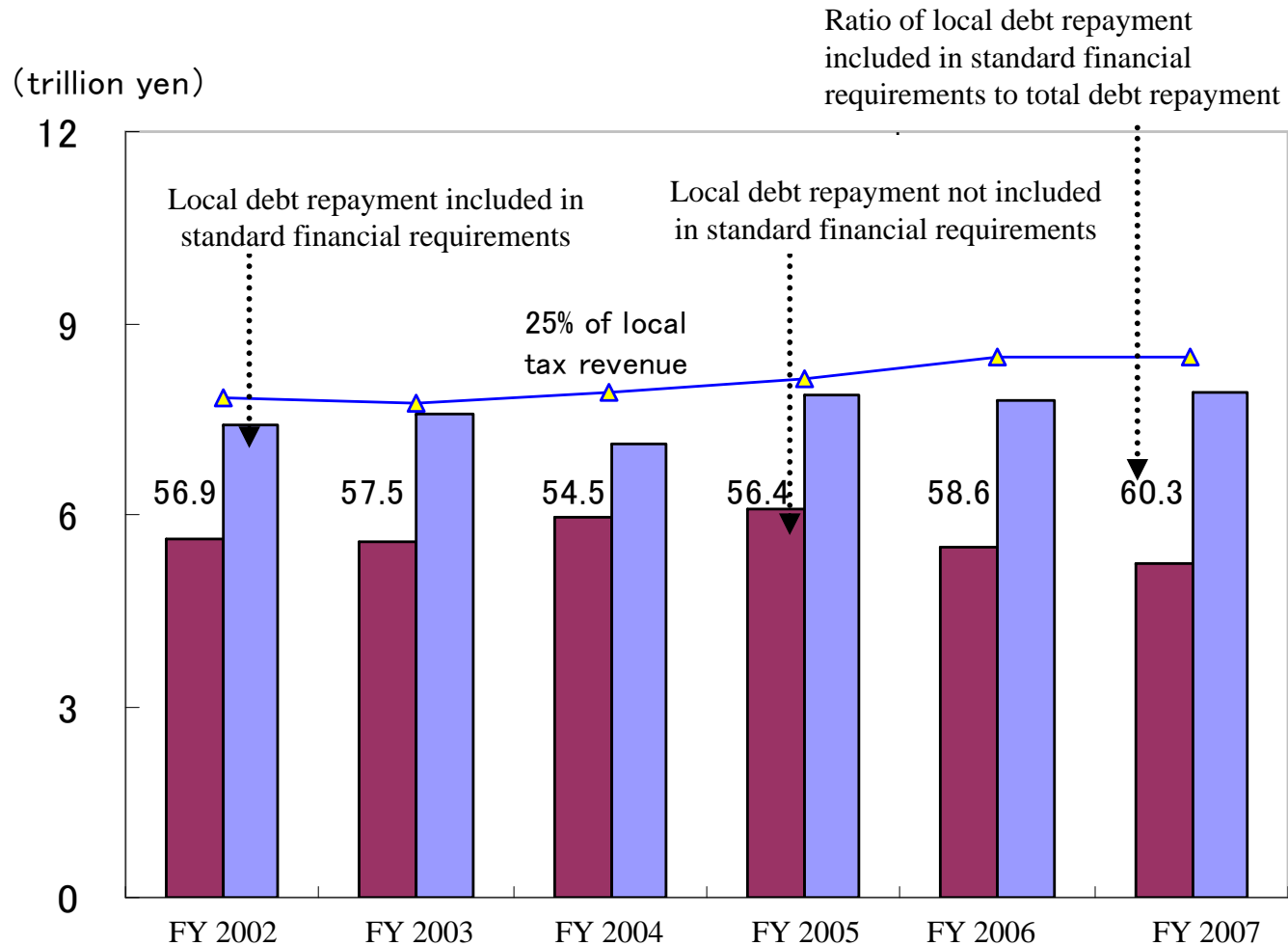
8. Changing numbers in amalgamation consultation committees



9. Outline of the local allocation tax system



10. Comparison of 25% municipal tax revenue and debt repayments not factored into standard financial requirements



11. Ratio of 25% of municipal tax revenue to debt repayments not factored into standard financial requirements by population

		Scale of population, end of fiscal year 2005							total
		~5,000	~10,000	~30,000	~100,000	~300,000	~800,000	800,001~	
Ratio of 25% of local tax revenue to debt service not included in standard financial requirements	~0.3	62	15	5	0	0	0	0	82
	~0.6	85	81	88	24	1	0	0	279
	~1.0	42	81	152	119	7	0	0	401
	~1.2	5	19	53	70	27	4	2	180
	~1.5	12	25	52	83	28	4	4	208
	~2.0	5	21	66	115	54	29	6	296
	2.0~	14	27	104	131	72	19	2	369
	Total	225	269	520	542	189	56	14	1,815

12. Administrative operation issues post amalgamation

- Staff cuts and internal restructuring
- Sound financial management
- Forming a new local community
- Creating an organisational culture for a new local government

13. Merits and demerits of municipal amalgamation: from surveys of municipal staff

Merits

- More staff and greater expertise
- More training opportunities
- Greater transparency and commitment to compliance
- Ability to undertake urban development
- Emergence of competitive relationships between municipal office staff

Demerits

- Less ability to provide services that are finely tuned to resident needs
- Communication between staff is more difficult
- Need to integrate or divest similar public facilities, such as cultural centres and branch offices

14-1. Conclusions

- The number of municipalities was reduced by almost half in the great amalgamation of the Heisei Era. The rate of reduction was greater for smaller municipalities.
- While the past two great amalgamations were a result of reform of the system of local government, the great Heisei amalgamation was influenced by decentralisation reform and worsening local public finances, especially in smaller municipalities.
- Japanese decentralisation reform under the Koizumi government was aimed at achieving small government, however, the current aim of the DPJ government is medium to large government.

14-2. Conclusions

- The aim of municipal amalgamation is to enhance local government capacity to undertake duties allocated to municipalities.
- One of the reasons for municipal amalgamation is that municipalities are allocated with almost the same roles and responsibilities regardless of the size of the population, except in the case of some major cities. As a result, small towns and villages are significantly disadvantaged in fulfilling their responsibilities.
- Municipal amalgamation was thought to be necessary to overcome financial crises in most local governments.

14-3. Conclusions



- The system of local allocation tax at the core of the Japanese system of local public finance is a mechanism for guaranteeing financial resources. This means even municipalities with limited tax revenue are able to perform their duties. However, as financial resources are not guaranteed in full in the case of debt repayments, it is easy for small municipalities with low tax revenue to slip into over-borrowing. For that reason, drastic cuts in local allocation tax create a tendency for small municipalities to get into financial difficulty.
- Financial crisis in small municipalities is the reason the great amalgamation of the Heisei Era progressed.

14-4. Conclusions



- The benefit of amalgamation is that the municipality becomes larger and comes into balance with its allocated duties and authority, however it takes time for it to function as a unified single local government.