

**Vision of a decentralized society (interim report)**

**“Pursuit of an Affluent Self-Government and New Image of the  
Nation”**

**- For the comfort of your life in town**

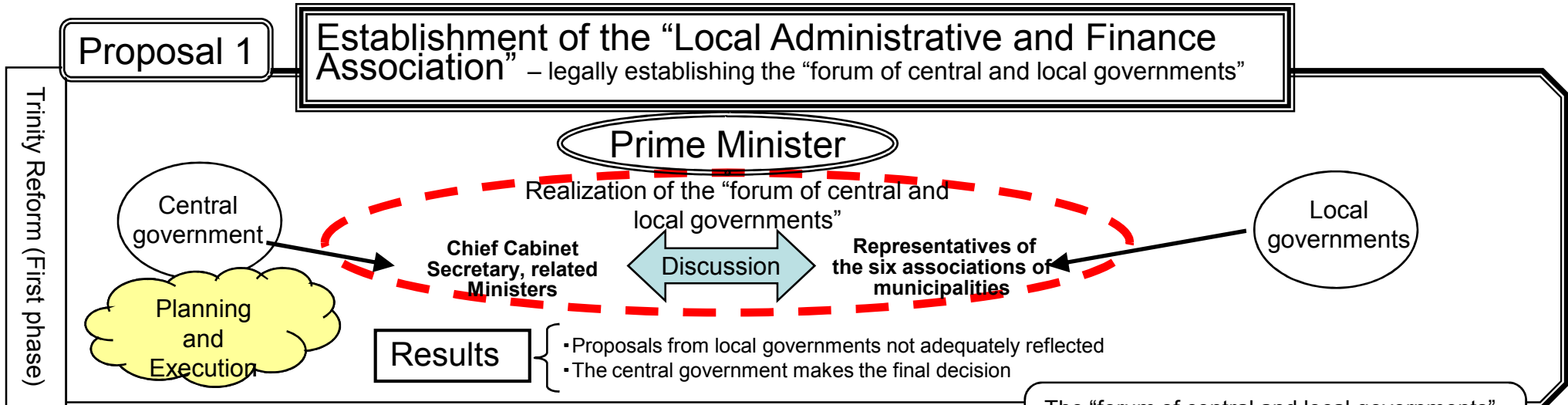
**7 Proposals and Process Sheets for Local Financial Independence**

**Digest Version**

May 11, 2006

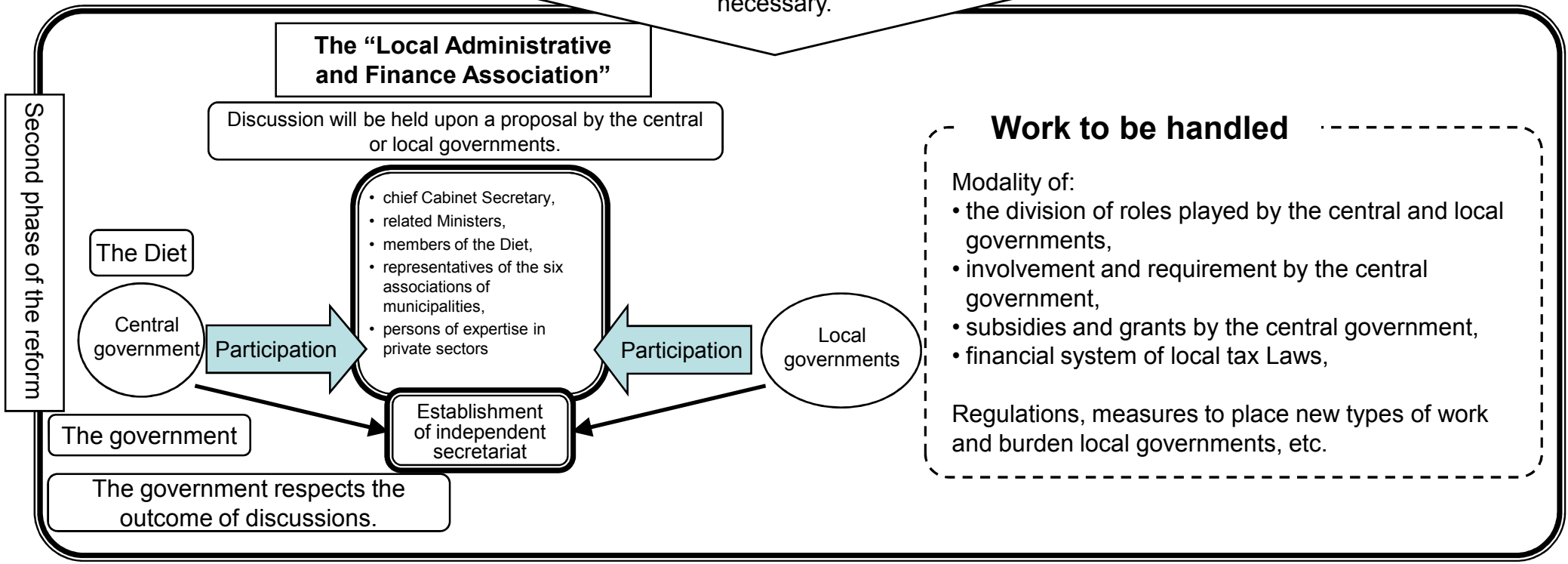
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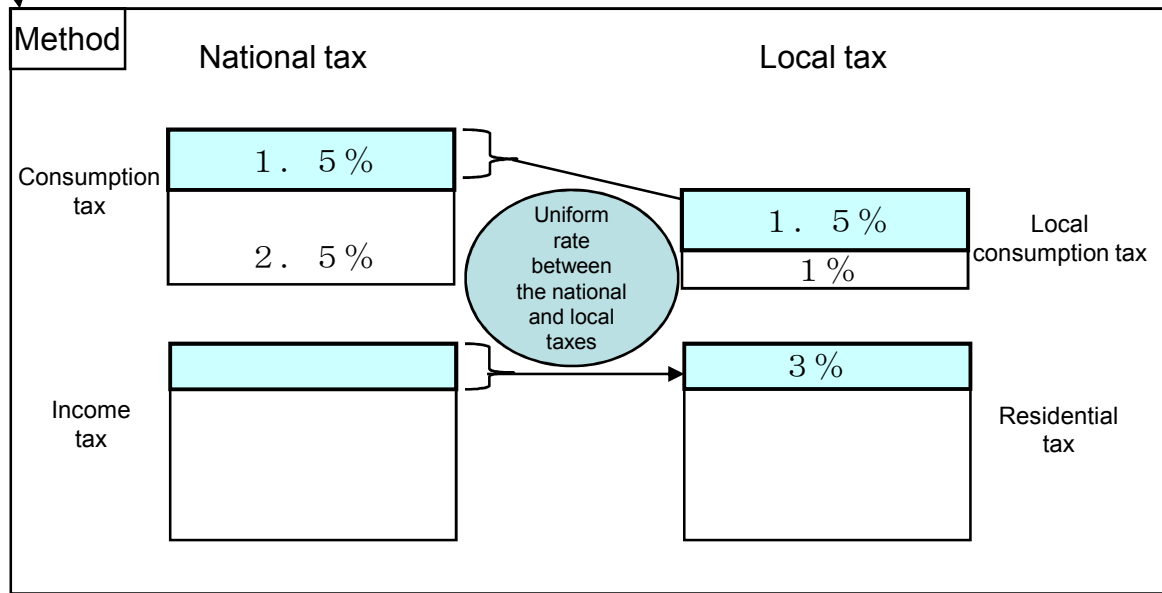
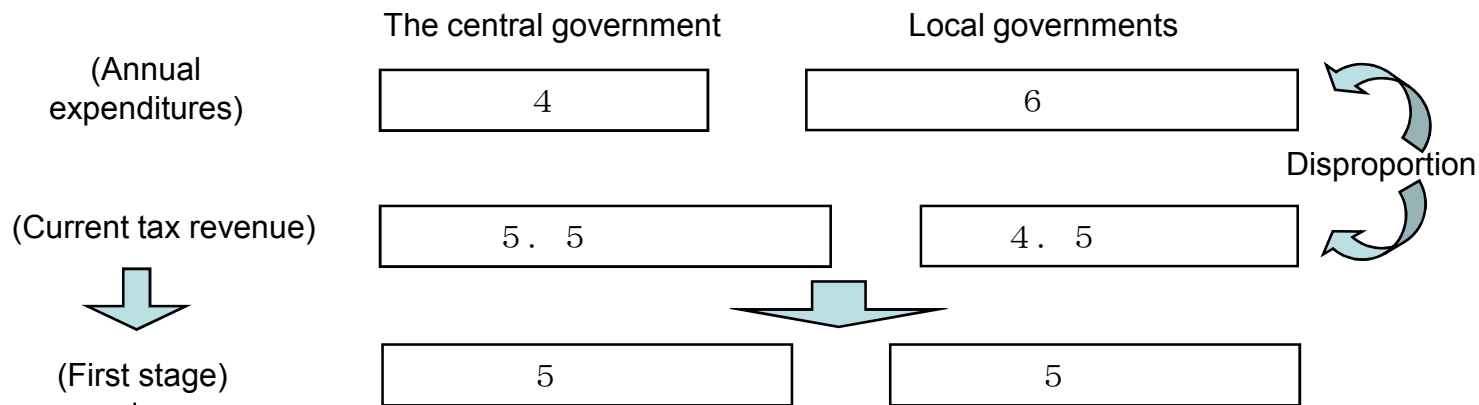
Legal establishment of the "forum of central and local governments" is necessary.

The "forum of central and local governments" will remain until the "Local Administrative and Finance Association" is established by law.



# Proposal 2

## Significant increase in the population of municipalities that do not receive grants through the improvement and enhancement of local tax



Furthermore

- Local tax should be composed of tax items with less regional disparities
- Sources of shared local tax (local allocation tax) should be composed of tax items with high regional disparities.

Significant increase in the population of municipalities that do not receive grants

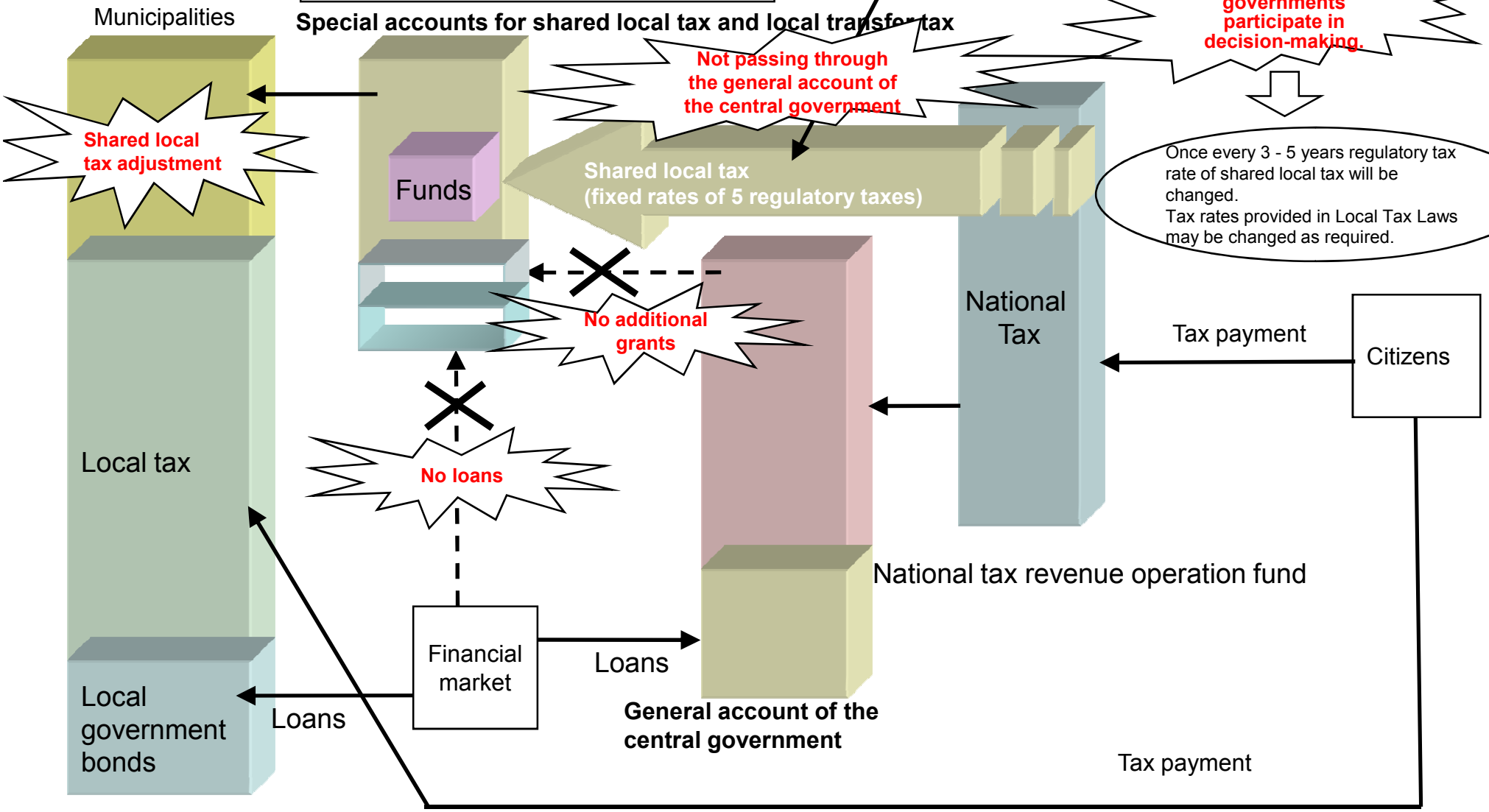
**Proposal 3**

Change "Local allocation tax" to "shared local tax" - review of regulatory tax rates, allocation for special accounts, abolition of additional grants/loans for special accounts

**\*Solving the revenue shortage is a prerequisite.**

Involvement by the "Local Administrative and Finance Association"

**Local governments participate in decision-making.**



Proposal 4

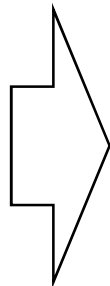
Reduce (procure from general tax sources) the total number national treasury grants by half (approx. 200) and realize the reform plan submitted by the local governments

Number of subsidies for local governments in the fiscal year 2005

||

439

( According to the "Subsidies A-Z in the fiscal year 2005" )



- **Reduce the total number of national treasury grants by half** in the foreseeable future
- The central government should take measures towards their responsibility first by steadily carrying out the **"Subsidies Reform Plan" submitted by the local governments.**
- **Abolish the national treasury grants and procure revenue from general tax sources**, as opposed to reducing the grant rates

- **Prompt abolition of grants for central government operated projects relating to the operation and maintenance needs**

**Proposal 5**

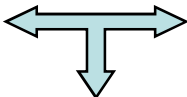
**Financial reconstruction by overhauling the relationship of the central and local governments**

Local allocation tax is not suitable for reduction with a target to achieve.

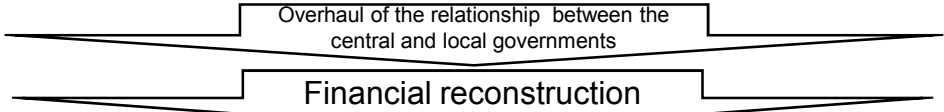
The central government can implement economic and financial policies and monetary policies.

The finances of the central and local governments are both distinct from each other and intricately intertwined.

It is impossible to deal with the central and local governments on the same basis in accordance with a primary balance theory.



It is impossible to make separate objectives for improvement by dividing the primary balance of the central and local governments.




Clarification of division of the roles played by the central and local governments

Abolition and contraction of involvement and requirements by the central government

Abolition of dual government administration by the central and local governments

Abolition and contraction of central government agencies in accordance with the handover of authority

Abolition of the national treasury grants of which local governments have planned and failed to abolish

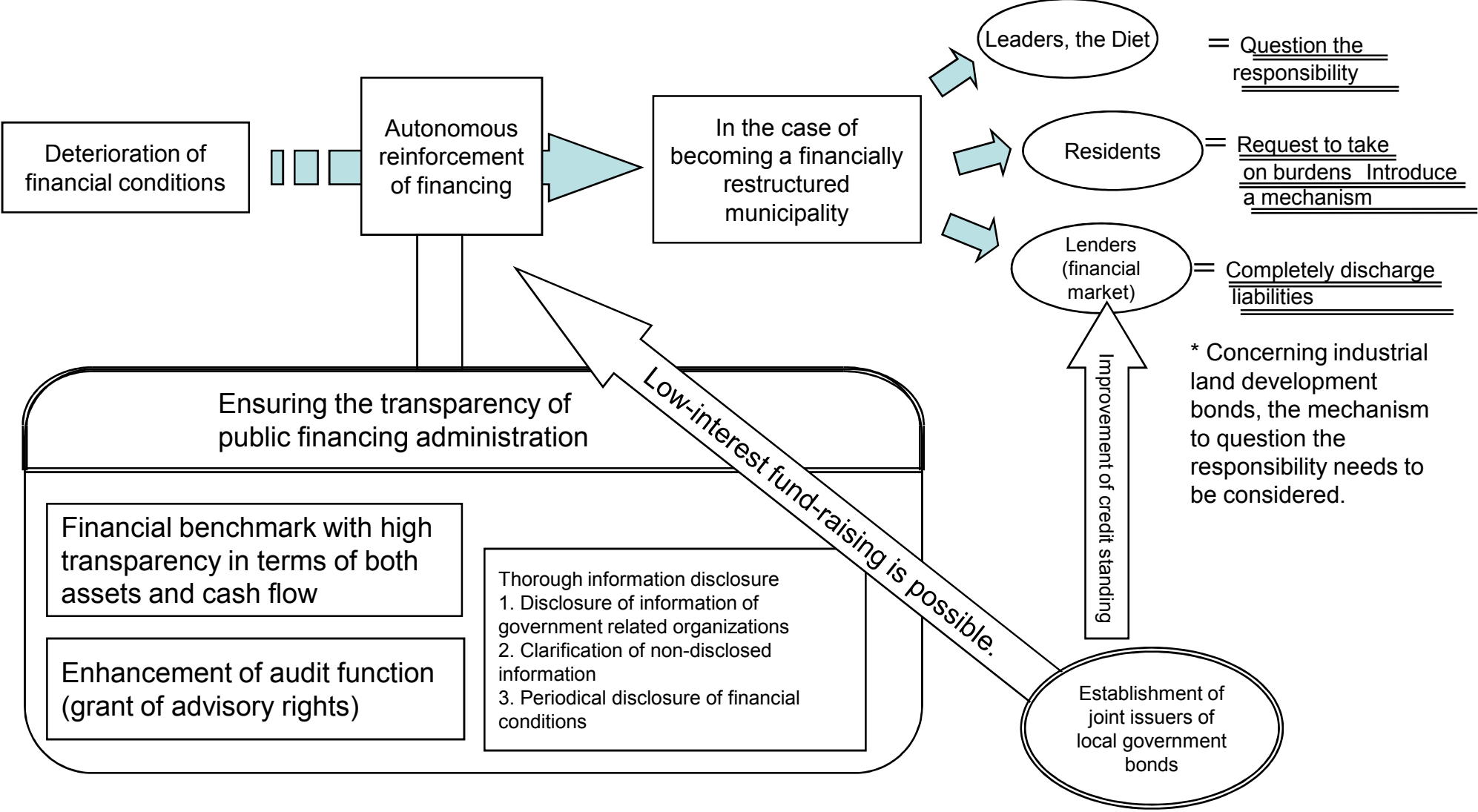
  
If not sufficient

Abolition of more national treasury grants

Municipalities need to promote the local administrative reform more strongly with determination and sense of responsibility. Setting up appropriate salaries

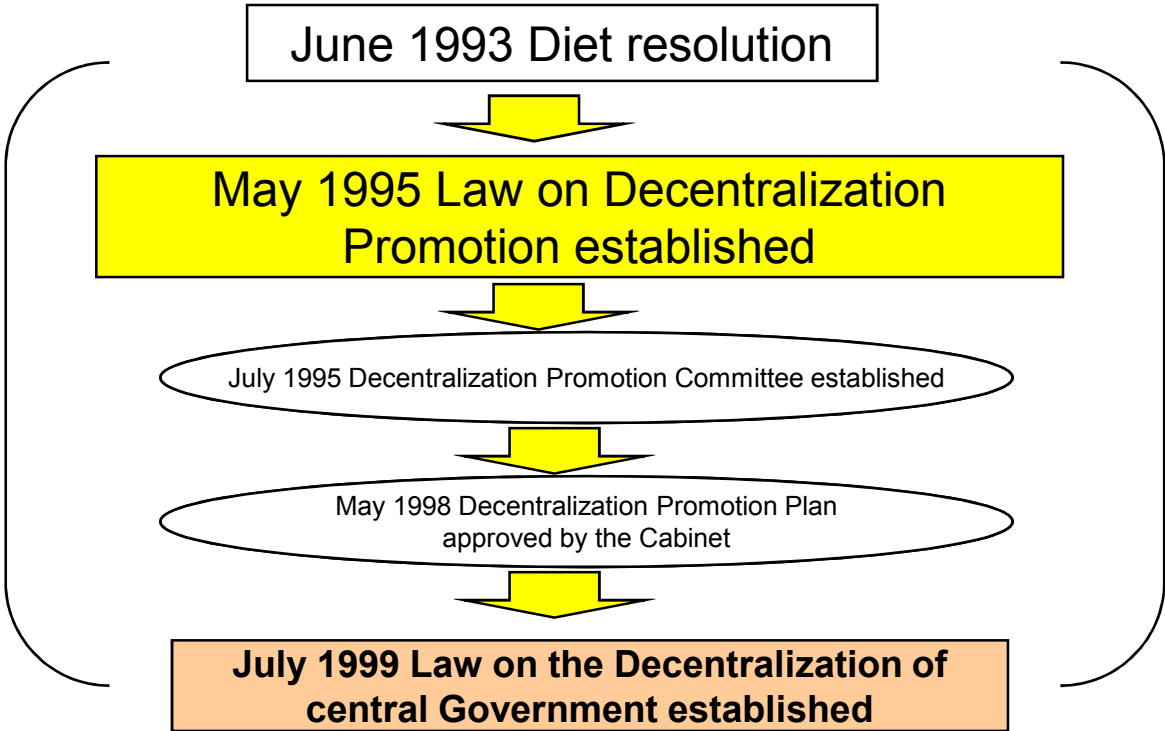
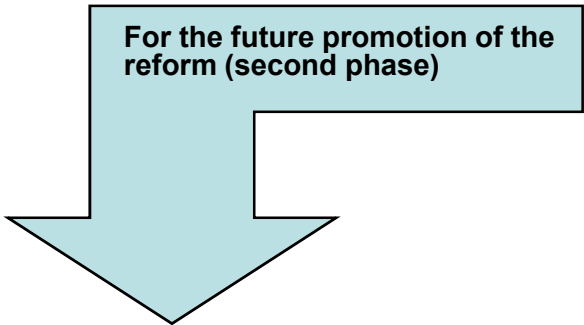
Proposal 6

Increase the transparency of the standards of financially restructured municipalities, strengthen the responsibilities of leaders and legislative assemblies, and introduce burdens on residents



## Proposal 7

Enactment of the "New Law on Decentralization Promotion" - It is once again time for the citizens and the Diet of the nation to promote decentralization



# Enactment of the “New Law on Decentralization Promotion”

- Fundamental concepts of decentralization
- Development of the Decentralization Promotion Plan

,etc.

# Decentralization Reform Schedule

