

When the Japanese government enacted the Nonprofit Organization Act in 1998, the people of Japan hoped that the new law would help spur innovation and opportunity among social engineers. In May of 1999, the unemployment rate reached an unprecedented level of 5 percent. The Cabinet Office turned to NPOs to help reduce the number of unemployed. To this end, the office decided to use a supplemental budget as a “special subsidy” for non-profit organizations (NPO). The intent was to help these organizations implement a variety of programs at the local level, such as nursing care for the elderly, recycling initiatives, data input projects, and the preservation of cultural heritage.

At first, the new support and subsidy of NPOs on the part of the national government of Japan promised to usher in a new era for NPOs, during which they could increase their scope and reach, while providing much needed employment opportunities for socially-minded Japanese. Unfortunately, however, the effort was unsuccessful. The government failed to achieve its aim of developing employment opportunities through NPOs.

## **Background**

Prior to 1998, subsidies were allocated to Public Service Corporations (PSCs) that were established with public funds after World War II. During that time, PSCs functioned as governmental subcontractors, which implemented small-scale social services and projects, despite the need for program accountability that a third party requires. Hence these PCSs have been criticized for accepting *amakudaris*, or high-ranking government officials given lucrative jobs associated with the government.

## **The Dissolution and Survival of J-Green**

The systematic corruption within the Japan Green Resource Agency (J-Green) was noted in the 2007 issue of the Global Integrity Report. Later, after a series of scandals, the Japanese Farm Ministry decided to dissolve J-Green at the end of fiscal year 2007. Miraculously, J-Green continued to exist — even in the same building — at the end of the fiscal year, by the simple act of changing its name to the Forestry & Forest Products Research Institute. The newly appointed president was reported to have told well-known reporter Aki Wakabayashi, “It is difficult to stop the whole operation, and we are suffering a lot. We had to downsize our operation by one third.”

After a number of corruption cases emerged from the *amakudari* system, the Koizumi cabinet made a serious effort to streamline or eliminate these PSCs. A number of other governmental officials, however, were strongly opposed to the Koizumi reforms. As a result, 25,263 PSCs still exist as of Oct. 1, 2006. Of these, 20,662 enjoy tax-exempt status, which helps them to attract donations. For those with annual budgets below 80 million yen (US\$754,282), there is no income reporting requirement. Further, because of the *amakudari* system, most PSC employees receive salaries similar to those of government officials.

### **Funding Challenges**

The NPO Act changed the environment substantially. The new law significantly tightened tax exemption and accountability standards. Further, salaries at typical NGOs are exceedingly low. A recent survey indicated that the average salary of NPO workers is 1.6 million yen (US\$15,100) per year, or one-third of the average salary in Japan, and below the minimum wage designated by the Labor Standards Inspection Office. Only 2.4 percent of NPO workers manage to earn more than 5 million yen (US\$47,200) per year, the average income for Japanese. Moreover, as the government's "special subsidy" for NPOs does not include labor costs, it is nearly impossible for NPOs to accept programs designed by government offices without securing alternative funding for their personnel.

This was a major oversight by the government, since for most NPOs it proved impossible to generate jobs for the unemployed through public funds, and the "special subsidy" system only served to burden these organizations in the early stages.

### **Mismanagement at Overseas Development Aid**

Overseas Development Aid (ODA) also shows signs of mismanagement. Over the last 10 years, the government of Japan began to carry out ODA programs together with NGOs by following Western models. However, the old-fashioned subsidy system excludes project implementation costs. PSCs are able to participate, but most NPOs are out-bid and cannot compete. Civil society is not yet fully participating in ODA programs.

Whether or not subcontractors are financially secure, officials of all governments enjoy the privilege of staying in safe embassies or hotels during their monitoring trips abroad. The difference is that the Japanese subsidy

system is very cost-effective for the government as it excludes implementation costs.

### **Anti-government sentiment building**

Recently, Japanese ODA programs have been coming under fire for supporting dictators around the world. Government officials, say critics, have been all too willing to accommodate requests from authoritarian regimes. This has fomented a strong anti-government sentiment among Japanese NPO workers, especially those working in the fields of conflict resolution, human rights, press freedom and civil liberties in authoritarian nations or disputed areas.

### **The Sky Water Project: An NPO At Work**

Before Takeshi Watanabe started a non-profit management course at the Tokyo Institute of Technology, he had been trying to help information technology businesses for the purpose of strengthening NPOs.

“It requires a high-level academic background,” says Watanabe. “I found that social entrepreneurs are not produced by high-level academics. The technology of Japan is regarded as number-one in the world, but number-one is not achieved by executives of enterprises; it has been achieved by workers. The success has been given to elites with high-level academic backgrounds, but not to those in the field. This hinders the establishment of social entrepreneurs in Japan.”

In this regard, Professor Watanabe has been assisting social entrepreneurship, especially with people working in the field in developing countries in Asia.

Recently, Professor Watanabe published a role model leaflet that describes nine successful cases in Japan. In one section, for example, the leaflet describes the efforts of Dr. Makoto Murase who, as an official in Sumida Ward in eastern Tokyo, successfully encouraged the conservative Sumo Wrestling Association to change their plan for a new sumo wrestling arena to include a rainwater recycling system. With this success, Dr. Murase was able to bring his rainwater recycling system to other places such as urban areas in Bangladesh, where people are suffering from arsenic-contaminated well water. Under the slogan “rainwater tanks for peace, not battle tanks for war,” Dr. Murase established The Sky Water Project, an NPO devoted to supplying safe drinking water to city-dwellers.

### **What is to be done?**

NPOs should expand their own power by expanding their own capacity. At this stage, successful social entrepreneurship cases in Japan are limited to the fields of environment, agriculture and social welfare. But the innovative minds of the Japanese people might lead to social entrepreneurship in other fields, such as human rights, communication and freedom of expression, which are desperately needed for people suffering under authoritarian regimes.

