The emerging voluntary sector in Japan: issues and prospects

Nobuko Kawashima

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Summary

This paper provides an overview of the Japanese third sector with a particular focus on organisational issues. It begins with background information on the third sector in Japan and offers reasons why the sector has remained relatively underdeveloped. It then discusses recent changes in Japan which have contributed to the development of the sector. The second part of the paper explores management and organisational issues for Japanese voluntary organisations at two levels. Management issues are analysed at the sectoral level, drawing on two quantitative surveys on the sector carried out recently. Secondly, attention will be shifted from sectoral to organisational problems drawing on the findings of the author's exploratory small-scale research project on several large Japanese NGOs. In conclusion, a number of future implications and policy issues are addressed.

Introduction - an emerging sector?

Recent years have witnessed an upsurge in interest in the voluntary sector in many nations, advanced and underdeveloped, capitalist and former-socialist, East and West, accompanied by enlarged roles played by the sector in many areas of our life (Salamon and Anheier, 1997; McCarthy et al, 1992). This trend seems to involve Japan, a country which may not be known for the strength of the sector. Statistically, an expansion of the Japanese voluntary sector is hard to prove due to the lack of data and confusion over definitions of the sector. However, it is safe at least to argue that public attention to and interest in voluntary activities has grown rapidly over the years. The Kobe-Awaji Earthquake of January 1994 particularly drew the attention of the mass media to the 'existence' of the sector, as a number of voluntary agencies did a remarkable job in helping the victims of one of the most large-scale, devastating natural disasters in recent Japanese history. In parallel to reporting in the mass media, there has been a sudden increase in conferences, seminars and research reports, discussing the need to develop a voluntary sector.[1] Reflecting such awareness of the significance of the sector, various departments and ministries of central government and some local authorities have started, albeit belatedly, to acknowledgement its existence.

In contrast to the sector's higher profile in public discourse, little however has yet been systematically written on the Japanese voluntary sector. There is semantic and conceptual confusion about such key words as 'public', 'private' and 'voluntary'. As will be shown in this paper, the institution of koeki hojin, or Public Interest Corporations (which literally may represent the concept of voluntary sector organisations), has a complicated structure and occupies only a small part of what would be equivalent to voluntary agencies in Britain. Since the English word 'volunteer', but not 'voluntary', has been adopted in the Japanese language, the use of the former has been over-stretched. The American term 'non-profit organisation' (NPO) has been used among the well-informed advocates for the voluntary sector, but otherwise words such as 'citizens' and 'local' combined with 'group' and 'movement' are more prominent in daily conversation and most discourse.

Economists at least have started to pay attention to the totality of legally non-governmental, non-commercial organisations in an attempt to measure the size of

the sector and its contribution to the general economy from a macro perspective (eg Takashima, 1995). There are also some articles available on Japanese 'nonprofit' organisations in specific sectors such as education (eg James, 1988). While these shed light on the significance of the institutions which economists traditionally have neglected, and hence are interesting studies in their own right, they do not coincide with the emerging voluntary sector which I attempt to describe in this paper; 'non-profits' discussed in the above studies tend to include a wide range of organisations so that a narrowly-defined voluntary sector tends to be overshadowed by the presence of quangos and already institutionalised nonprofits such as schools and hospitals. Research in Japan during the 1980s focused on Public Interest Corporations as defined by the Civil Code which is discussed further below (eg Hayashi and Yamaoka, 1984; Hashimoto et al, 1986). As will be explained later, however, the Public Interest Corporation sector is a controversial one and not identical with a voluntary sector which is receiving increasing attention in Japanese society. When it comes to 'voluntary organisations' within the larger nonprofit sector (a more detailed definition will follow), very little knowledge has been available beyond an increasing number of papers written with the usual tone of advocacy for the organisations.

However, as mentioned at the beginning of this paper, research on the voluntary sector in Japan has gradually been built up in recent years. The Japan Nonprofit Research Association launched its first conference in March 1999, attracting both academic researchers and practitioners across various fields and disciplines. A ground-breaking study was made by a research group of practitioners, sponsored by the National Institute of Research Advancement (NIRA) in 1994. This report neatly compiled various kinds of information concerning what it termed citizen's public-interest activities, for example, the history of philanthropy in Japan, structural problems of the sector and policy issues for the development of those activities. The same group followed the study up to produce a report specifically on legal issues concerning the organisations (NIRA, 1996). More recently Amenomori (1997) has made a significant contribution as part of the Johns Hopkins Comparative Nonprofit Sector Project, a large-scale international enquiry to identify the scope of the nonprofit sector and its economic and social roles in a cross-national comparison.

The main objective of the present paper is to synthesise available writings on the sector with a particular focus on management issues of voluntary organisations in Japan. To do so the first part of the paper will map out historical, legal and policy contexts of the sector. The second part will explore some of the management issues of voluntary sector organisations from both sectoral and organisational viewpoints.

A few notes about definitions must be made here. My interest is in organisations that are more narrowly-defined than so-called nonprofits, ie organisations voluntarily set up by lay citizens for social purposes. I am aware that there is no easy way of defining the nonprofit or voluntary sector, as Salamon and Anheier (1997) extensively discuss, a problem almost universally experienced in many countries. This is particularly the case in Japan due to the general lack of awareness of the concept and the complex legal system governing the sector. My focus is thus inevitably self-definitive and arbitrary rather than based on an objective categorisation of organisational forms. Broadly mixing the definition employed in the aforementioned report 'Research Report on the Support System for Citizen's Public-Interest Activities' (NIRA, 1994) with the definition of the Johns Hopkins Project, I will discuss these organisations which typically possess such organisational features:

- independence from government
- formality or continuity (thus excluding one-off projects, but including unincorporated groups)
- established chiefly by citizens voluntarily, thus excluding quangos and trade associations
- some element of 'public benefits' (however, this does not exclude self-help groups)
- profits not divided among members
- self-governance.

The above list only suggests the major features of what I call voluntary organisations in this paper. The list may be highly fluid given that each feature has a grey zone. However, I have deliberately avoided employing a structuralist approach with an aim of providing objective data on a sector. Instead I intend to offer an account of a sector only just beginning to be identified, whose members largely share the above characteristics. In other words, the above characteristics are for inclusive rather than exclusive

purposes. For example, despite the difficulty of defining public benefit, the fourth element in the above list is important, which is omitted in the Johns Hopkins Project. Different from the Johns Hopkins Project again is my consistent exclusion of religious organisations and political parties. Agencies affiliated with religious bodies but organised separately are however included. Throughout the paper the term 'organisation' will subsume 'association' meaning an unincorporated group.

Given the general lack of literature and the descriptive and exploratory nature of this paper, I will draw on materials of various kinds written in Japanese - academic and policy-oriented research reports, journal articles and symposium proceedings. I will try to refer to works written in English wherever possible so that interested readers who have little access to the Japanese literature can refer to translated papers or explore related issues.[2]

Contexts

This paper began by mentioning the emergence of the voluntary sector in Japan, but the statement now needs to be set against the traditional and general lack of infrastructure to support the sector. The legal framework and political culture of Japan have not been helpful for the voluntary initiatives of private individuals in organising activities for public benefit. Before going into the details of the structural problems for the voluntary sector, a very brief account of modern Japanese history will be provided in order to trace the origins of the sector. The history will be outlined in relation to modernisation, industrialisation and democratisation. For a positive account of history on the sector itself, see NIRA (1994) and Amenomori (1997) who go back to philanthropic activities in the seventh and eighth century Japan.

The historical context - modernisation, industrialisation and democratisation

One cannot speak of contemporary Japanese society without noting the impact of the modernisation carried out since the Meiji Restoration of 1868 (see, inter alia, Hunter, 1989; Storry, 1990; Pyle, 1996). The modernising project in the following decades was a radical movement, made imperative by the perceived threat from the Western imperial

power. The Restoration broke down the previous territorial control system, known as Tokugawa Bakufu, that had lasted since the early seventeenth century and was a sophisticated form of governance of its kind. The elite of the new government was acutely aware that the country had lagged far behind the West in economic, technological and military terms. The new government thus started firstly to tackle the modernisation of political and administrative structures and secondly to allocate as many resources as possible to enhance Japan's economic and military power in order to catch up with the West.

These reforms, which Pyle (1996) calls a cultural revolution, were carried out by assiduously studying Western systems and selectively adapting them to the Japanese situation concerned. Bismarck's Prussia was particularly influential in providing models for militarism, industrial development and political institutions. For example, the Japanese pre-war Constitution and monarchy were based on Prussian models. Other countries were also studied for specific functions, such as Britain for its navy and postal system and France for judicial and primary school systems (see Pyle, 1996, p78-79 and p121-122). The adaptation process involved bleeding systems and ideas from different countries, while taking into consideration the existing practice of Japanese society. In a relatively short period of time from the late nineteenth to the early twentieth century, Japanese political and administrative structures were modernised and her economy was quickly industrialised. Western material culture such as architecture and fashion also spread rapidly, while non-material culture such as arts and literature began to be studied.

Successful implantation of Western technology and culture onto Japanese soil quickly transformed the country into a major imperial power in Asia. War with Russia was unexpectedly won in 1905. The country constantly strengthened her economic and military bases and started to expand her territory in the Asian region such as in Korea and Manchuria. This resulted in the authoritarian militarism of the 1920s up to the 1940s and the subsequent defeat in World War II. The defeat brought about another major societal change, imposed by the Occupational Forces of the Allied Powers. This regime, largely American, carried out reforms to ensure de-militarisation and democratisation of the country. This was done with the introduction of a new Constitution and other reforms, for example, in education.

In order to help the economy to recover from its devastated state, central planning to efficiently allocate resources was at the core of the economic policy pursued by the Japanese government immediately after the war. In the following decades, too, when Japan had achieved rapid economic growth, with an annual growth rate of GNP at over 10%, central government was in a strong position to supervise and lead industry. The close relationship between government (or the Ministry of International Trade and Industry, MITI) and business is often suggested as one of the contributing factors to the post-war economic growth of Japan, particularly by Western academic commentators and journalists. A number of terms have been invented to refer to this alliance, such as the concept of 'Japan Inc' often used in journalism, the 'developmental state' (Johnson, 1982), or the idea of 'state-led capitalism' (Pempel, 1982).

In the form of 'Japan Inc', MITI often interferes with the overall direction of individual businesses through various measures, ranging from concrete schemes in financing and tax breaks to more ongoing, co-operative relationships built up by administrative guidance and persuasion to lead them to fit in with MITI's strategic plans. To put it in a different way, government officials and business leaders have interacted and shaped industrial policy together to make the economy of Japan competitive (see Genther, 1990 for a case study of the passenger car industry). Although the short-term, self-centred interests of individual companies may not always have been served, in the end and as a whole economic interests of the country from which businesses could later benefit have been secured. Epitomised by the notion of 'Japan Inc' is the belief that bureaucrats, rather than politicians, are the de facto policy-makers. As will be explained later, the elitist and interventionist nature of bureaucracy is one of the inhibiting factors for the development of the voluntary sector.

The above brief history has shown the wider, historical context that has shaped the contemporary environment in which the voluntary sector is set. To summarise, the modern history of Japan has constantly been preoccupied with economic growth. This growth has been achieved by a strong presence of government, albeit not in the form of socialism. This history has bearings on the structural problems the Japanese voluntary sector is facing today and will have resonance in the rest of the paper. This section explains the problems of the voluntary sector, including legal deficiency concerning the

voluntary sector, an adversarial tax system and the tradition of governmental control over the private, nonprofit sector.

Structures and institutions

Legal system concerning corporations

One of the major problems for voluntary organisations in Japan is the complexity of the legal system concerning corporations and the particular inadequacy of the system for them. In making this argument, I will firstly review the legal system for corporations. For a wider view of corporations in the private, non-profit sector, Amenomori (1997) is a good source of reference. I will then examine the same complexity of the system from a voluntary organisation's point of view with the aim of explaining why the system is highly problematic.

At the time of modernisation in the late nineteenth century, modern Japanese law was created largely on the basis of a civil law system as opposed to the Anglo-American common law system. In a civil law system, in Germany for example (Salamon and Anheier, 1992: l44-145), public law defines the areas where government acts in the public, or common, good, while private law governs relations, contracts and transactions between private parties. The distinction is supposed to serve to prevent the state's intervention into private affairs.

Salamon and Anheier (1997) argue that continental European countries in general share civil law and tightly define organisations by law, a system which holds a weaker concept of a public-serving nonprofit sector (p.l7). Japanese law, which is influenced by French and German laws (Oda 1992, pp3-6), has an even more restricted sphere for the voluntary sector (Salamon and Anheier, 1997: 52). In the sphere of public law in Japan, there are over a hundred of kokyo hojin (Public Corporations) and tokushu hojin (Special Legal Entities) created by special laws such as the Japan Highway Public Corporation, the New International Airport Corporation, and so forth. Many organisations in this category are for industrial or commercial purposes, the role of which is as 'a medium of governmental influence in and over the total economy' (Johnson 1978:16), and are heavily subsidised and staffed by government.

Public institutions can grant to private institutions the right to act in the public interest as well, but this usually requires specific legal provision. For example, gakko hojin (educational corporations, ie private schools, colleges and universities) are established under the Private Schools Law of 1949, and shakaifukushi hojin (social welfare corporations) under the Social Welfare Services Law of 1951. While these may be broadly-defined 'non-profit' organisations and there are individual exceptions, they are as a whole of little relevance to the 'voluntary' organisations with which this paper is concerned: due to the absence of the German principles of subsidiary and self administration (Anheier and Seibel, 1997), Japanese organisations in this category tend to be heavily controlled and supervised by government in return for public subsidy, lacking in independence and autonomy.

A less specific (and hence controversial) definition of a private, non-profit organisation for public benefit is made in Article 34 of the Civil Code which defines koeki hojin, or Public Interest Corporations. Three elements are specified in the clause to qualify for the status of either zaiden hojin (incorporated foundation) or shadan hojin (incorporated association) whose legal entities are assets or a group of persons for certain purposes respectively. In order to have the status, an organisation must: 1) be non-profit, 2) be 'concerned' with religious or charitable purposes or other public benefits and 3) have the license for the status granted by a 'supervisory authority'. Once the status is granted, the organisation automatically becomes entitled to tax concessions under the Tax Code. There were about 26,000 of them in 1996, 52% of which were foundations and 48% associations (Koeki Hojin, 1997a).

This may appear to provide an appropriate framework for voluntary organisations, but in effect that is hardly the case. Let us take as an example a group of people setting themselves up to provide welfare services to the elderly. It can in theory qualify for Social Welfare Corporation under the Social Welfare Services Law of 1951. The application should go to the Ministry of Health and Welfare (or to the governor of the local authority if it aims to be a local one). The relevant authority would require the group to meet its own criteria concerning organisational objectives, taking into consideration the applicant's size, scale and length of operation. It is likely that the requirement is fairly demanding, particularly for an emerging group, or too rigid.

Put off by the huge amount of red tape involved, the group may choose to go private and apply for the status of Public Interest Corporation under Article 34 of the Civil Code. Likewise, however, the legal entity can only be established through a licence given either by a ministry of central government or a local authority concerning the organisation's location, which is the third requirement for the legal entity specified in the Article. Note that it is not a matter of registration as is the case for commercial companies, but of a permit to be granted. The licence is provided by government at its own discretion, and no application has the general right to it. The department of central government to apply to depends on the areas of activities with which the applicant is concerned. This makes it extremely difficult for an organisation to be multi-disciplinary. It is possible to apply to a local authority instead and address areas which straddle departmental boundaries of central government. However, the activities then will not be allowed to go beyond the geographic jurisdiction.

The existence of governmental power exerted in granting a legal entity obviously contradicts the very nature of voluntary organisations, namely, autonomy and independence from government. Moreover, the application process is complicated and time-consuming, unnecessarily and excessively so for those who know little of the modus operandi of bureaucracy. Mission statements, corporate objectives, strategic and financial plans are scrutinised by the granting authority. Anecdotes hold that in this process the authority concerned tends to 'suggest' alterations to the policies of the applicant, hoping that the newly-born organisation would fit in with its own agenda. As a result, the application process becomes notoriously lengthy, taking in the region of at least one year to complete. In the case of government creating a 'quango', there exists no problem of this kind, as the authority simply needs to satisfy the standards which it sets itself; funding would be arranged internally.

Another problem regarding such discretion is the absence of a single authority in supervising Public Interest Corporations under the Civil Code Article 34, which results in varied and opaque policy and practice in the application process and thereafter in supervision among different authorities. As was mentioned, the supervisory authority tends to be the one related to the area of activities in which the applicant is going to be engaged, but curiously that is not 'the rule'. In some cases, it is possible and even wise

to avoid the most relevant department which would tend to exert more control than another of less direct relevance to the activity area might do. The 'choice' is crucial, as the contact between the voluntary organisation and the supervisory authority is not a one-off relationship but an ongoing one.

The Administrative Management Agency of central government has been in charge of collecting information on Public Interest Corporations from different departments and local authorities, but the disclosure of the data is limited. Although the legal structure and its administration have existed for a century, the Administrative Management Agency has only started to make certain information on the Public Interest Corporations available to the public in recent years. For example, the number of newly created Public Interest Corporations and the number disbanded per year have only become known to the public since 1995. In 1996 there was further disclosure of data which included the number of staff and board members of the Public Interest Corporations, their assets, annual expenditure and grants and contracts from the public sector (Koeki Hojin, 1996). Of particular interest are the figures which show the ratio of ex-civil servants who retired from the supervisory authorities who are now represented on the executive boards of the Public Interest Corporations.

There is a financial hurdle in addition to the bureaucratic one mentioned above. Ministries and central government would require the group to be equipped with a substantial amount of endowment from the beginning, anecdotally in the region of 300 million yen[3] (£1.5 million) in recent years. The requirement has been introduced arbitrarily and no specific stipulation has ever existed in official documents in the public domain on this matter. The underlying logic is that Incorporated Foundations/Associations and Social Welfare Corporations cannot and should not earn their living from their own activities and that therefore basic overheads at least, and possibly operating expenses as well, must be covered by the interests born out of the endowment. It is most unrealistic to expect a private group of citizens to raise this sum of money.

If it is as hard for a voluntary organisation to become a Public Interest Corporation as I have argued, one would wonder what constitutes the sector of 16,000 Public Interest Corporations. It is very difficult to generalise about this sector due to its diversity, its

changing nature in the course of history and the general lack of research on it. The General Management Agency (1992: 116-117) classifies this sector according to each organisation's objectives. The first major type in the classification is what is termed 'typical' which makes 45% of the total of about 15,000 in 1989. Here we have Foundations and Associations to promote arts, science and culture, or support international aid and so on. The second type is termed 'intermediate', further divided into social clubs and trade associations. The third is 'supplementary to government', which makes up 16% of the total.

Having these figures as a starting point but also some suspicion about them in mind, one may identify at least three dominant types of organisation in the Public Interest Corporation sector which are different from voluntary organisations as discussed in this paper. The first type of organisation in this category is 'non-governmental' organisations, similar to some of the quangos in the British context. The third category in the General Management Agency report, organisations supplementing government, are obviously eligible here, but possibly quite a few of organisations classified in the first 'typical' category can be included as well. For example, a local authority may set up a museum as a Foundation, which is de jure separate from the authority itself but de facto one unit of the authority as being subsidised and managed to a full extent. In this case, however, the organisational purpose may well be 'the preservation of cultural heritage' and the museum will be classified as 'typical' rather than 'supplementing government' by the General Management Agency.

These non-governmental organisations are mainly executive agents of central or local government for specific tasks, being semi-autonomous and held accountable to government. They are created for the purposes of efficiency, political neutrality and commercial flexibility (at least in theory). In this sense, the purposes are exactly the same as those of public law organisations described earlier, but for government it is much easier to take advantage of Article 34 of the Civil Code than getting a new law passed to set up its agency. Government is the founder and tends to be the primary funder of these organisations. It often staffs them with seconded or retired officials from relevant ministries and departments. It can even be said that to offer senior posts to retiring officials from government is one major raison d'etre of these organisations.[4] In

Japanese public administration parlance, these are referred to as 'third sector' organisations, or auxiliary organs.

The second type of organisation prevalent in the Public Interest Corporation sector is membership based organisations which promote mutual, rather than public, benefit, some of which were established by government in its economic/industrial policy implementation. This type may be almost identical with the 'intermediate' category identified to be 30% of the total in the General Management Agency report. Examples are business and trade associations and alumni associations. They tend to be the organisations set up a number of decades ago when 'publicness' was loosely interpreted. Although they would not meet the notion of publicness today, they are allowed to continue existing under the law.[5] They are likely to take the form of 'Incorporated Associations' and rely for income on membership (individuals and companies) and sometimes on public subsidy. Statistics show that about 40% of Incorporated Associations in 1996 are for the purpose of 'industry', while the rest are either for 'life in general'(55%), 'education, science and culture'(24%) end 'public administration'(12%), Koeki Hojin 1996, pl0).[6]

The third type of Public Interest Corporations, perhaps the smallest in number among the three, consists of grant-making foundations. Unlike in the United States where the majority of the foundations were created by private individuals, Japanese foundations are more likely to be set up by business companies as an expression of corporate philanthropy. They take the form of Incorporated Foundation. It is estimated that were approximately 500 of them at present with the assets totalling 562 billion yen (£2.8 billion) in 1992. The predominant field of support by foundations used to be scientific research, specifically promoted through tax incentives by government, but now they make grants available to various fields.

The 'voluntary organisations' of our focus which originate from private initiatives acting in the public interest and autonomously-governed do exist but are only a minority in this Public Interest Corporation sector.

The Civil Code has another article (35) which defines legal entities for commercial activities. In practice, there may well be a number of voluntary organisations which take

this form as it is relatively easier for a private group to incorporate itself in this framework. However, unlike in Britain where incorporation and obtaining tax concessions are separate matters, in the Japanese legal system they are closely linked. It is impossible for a company limited by guarantee to be charitable and benefit from tax concessions, because it is by definition for-profit.

The central issue raised in the legal structure outlined above is that there hardly exists any recognition that voluntary organisations occupy an important place in society, being distinctive from both commercial and governmental ones in objectives of activities and operation. Educational and Social Welfare Corporations which are originally and constitutionally in the private sphere are largely considered to be under heavy influence of government. Public Interest Corporations under the Civil Code are effectively more or less the same: it is government itself rather than private groups that utilises this system in order to set up what is equivalent to a quango in Britain.

Given such complexity and a lack of a proper framework for voluntary organisations, voluntary groups face a problem of finding the right form for the organisation. It is possible for them to try incorporating as a Public Interest Corporation despite the difficulties mentioned earlier, and some have done so successfully. Self-help groups may form themselves as co-operatives. In some cases, groups disguise themselves as commercial corporations, even when they are bona fide non-profit organisations. However, the majority tend to remain as nin-i dantai or jinkaku naki shadan (unincorporated associations or associations with nonjuridical personality). Amenomori (1997: 205) quotes an old estimate given by the Economic Planning Agency that there were 556,000 of them in 1983, but it is more appropriate to say that the number of these associations is virtually unknown.

A recent upsurge of public interest in the sector and the rise of an awareness that this is a 'sector' across different services has led to campaigning activities to solve the legal problem by the creation of a new law or by amending the existing Civil Code. Advocates in these movements have argued for the need for a legal framework for non-profit entities, relaxation of governmental control and a tax system which encourages charitable donations, particularly from individuals (eg NIRA, 1996). However, to what extent and in what way the lack of a legal framework is detrimental to the development

of the voluntary sector has been a matter of debate. For example, some have warned that a change in the system would not immediately result in the development of voluntary organisations without other (even more important) resources such as staff training opportunities becoming available. Likewise, although the current limited tax system is often used as an excuse to decline an appeal for charitable contributions, it is uncertain whether relaxation of it would lead to an increase in money raised from individuals and businesses.

At a more practical level, problems caused by the current legal structure have been clearly pointed out and seem to have been agreed upon as common issues by voluntary organisations. For example, financial and contractual transactions such as renting office space and equipment, employing staff and having bank accounts often have to be dealt with by the executive director in a personal capacity. In many cases, voluntary groups are ineligible for public and private grants due to the general lack of trust on the part of grant makers (or contractors) in unincorporated associations. A recent survey shows that the lack of legal status is felt as problematic particularly by mid- to large-scale organisations, but less so by small agencies which may not have yet reached a stage where activities require more than their original, internal resources (Sumishin Research Institute, 1996). Irrespective of the immediate advantages which a new system for voluntary organisations would have, sector advocates have been arguing for the necessity of a new structure for the sake of establishing acknowledgement and recognition on the part of government and the public at large that voluntary organisations are making a significant contribution to society.

Tax system

The foregoing discussion on the legal status of voluntary organisations has direct relevance to how they are treated for taxation purposes. Tax systems regarding the voluntary sector usually have at least two aspects: tax exemption for voluntary organisations and tax incentives for private giving. The following examines both.

Voluntary organisations, whether incorporated or not, are generally exempt from income tax, except for 'trade activities' as listed in the Tax Code. In the latter case, the tax rate for 'associations with nonjuridical character' is 37.5%, the same as for commercial

companies in general, while a lower rate of 27% applies to Public Interest Corporations and co-operatives. However, for associations with an annual taxable income of less than 8 million yen, a lower tax rate of 28% is applied, and this is likely to be the case for the majority of voluntary organisations. Thus, in effect, if not in principle, no type of voluntary organisations is seen as particularly disadvantaged (NIRA, 1994: 24).

Tax deductibility of charitable gifts, the second aspect of the tax system examined in this section, presents a far more complicated picture. The tax law of Japan consists of provisions specifically for corporations and other provisions for private individuals. We will take a look at the first provision concerning corporate tax, focusing particularly on commercial companies and the treatment of gifts which they may receive.

There are four kinds of gifts which can be deducted from the taxable income of companies. Firstly, donations to the Japanese government (central and local) can be fully deducted. Secondly, donations to 'Public Interest' projects as designated for the period of a year by the Minister of Finance and initiated by Public Interest Corporations and others, can also be fully deducted. Thirdly, donations to tokutei koeki hojin [5] ('Special Public-Interest-Promoting Organisations'), including all Educational Corporations and Social Welfare Corporations, part of Public Interest Corporations designated as such and some Special Legal Entities, can be deducted. Whereas donations to an unlimited sum can be deducted for the first and second categories, donations in the last category can be deducted up to a certain limit worked out through a formula.[8]

The three kinds of donations outlined above also apply to private individuals. The difference is that the total amount of donations (across the categories) to be deducted from taxable income is capped: it is 25% of the income minus 10,000 yen.

The fourth category of tax-deductible donations for companies is a curious one since there is no specification whatsoever as to the status of the recipient or the purpose of the gifts; only a formula (the same as the one spelt out in note 8) exists to set the limit to the sum of deductible donations. Businesses can thus make use of this category in making charitable contributions and obtain tax concessions relatively freely, which may benefit voluntary organisations. In practice, however, this is often used for the purposes of

making donations to political parties and financial transfers to sister companies and others which help creative accounting (NIRA, 1994: 30). It is therefore extremely difficult for voluntary groups to be considered as beneficiaries in this scheme. The absence in the system of this category for private individuals has often been pointed out as a stumbling block for the development of voluntary activities and a philanthropic society.

It is difficult to determine the level of private and corporate giving in Japan. According to Keidanren (the Japan Federation of Economic Organizations), 366 major businesses in Japan donated a total of 107 billion yen (£537 million) for charitable purposes in 1993 (Keidanren, 1994). What is little known from statistics released by the Inland Revenue is that the corporate sector as a whole does not make donations up to the deductibility limit: corporate gifts in cash totalled about 453 billion yen (£2.3 billion) in 1995, which only represented 15% of the deductible amount for tokutei koeki hojin (Special Public-Interest-Promoting Organisations) and about half of the amount for any gift (Koeki Hojin, 1997b: 6-7). As I have mentioned already, these gifts are even inclusive of donations of non-charitable purposes. Therefore, the lack of adequate tax deductibility for charitable donations can be seen an excuse for declining appeal rather than as a substantial hurdle. As to individual giving, the number of people who claimed deductible gifts to charities is 122,000, or 1.52% of the total tax payers in 1995, up from 85,000 in 1986 (Koeki Hojin,1997b: 4-6), contributing the total of 42 billion yen (£210 million). These figures however do not represent the overall picture of individual giving, as people may make donations and not bother to report them to the tax authority or make non-deductible gifts.

To summarise the current system of tax concessions with regard to donations for public benefits: firstly, it is once again highly subject to governmental control and arbitrariness; secondly the system does little to encourage charitable donations to voluntary organisations, the majority of which have little room in the outlined system.

Governmental supervision

In addition to the legal and tax systems, statism and the tradition of public sector superiority and control over the private sector in general can be pointed out as an inhibiting factor for the development of the voluntary sector. A group may be lucky

enough to have the fortune required to set up a Public Interest Corporation, or a Social Welfare Corporation, but it would be subjected to the close scrutiny of the competent authority to which it has applied for this status. It is well-known that the ministry or authority concerned would require detailed accounts and activity reports which voluntary organisations would, arguably, regard as beyond any proper accountability requirement. To change organisational objectives and policies at a later stage would become extremely difficult. Even worse, the supervisor might through discreet suggestions try to secure senior positions for retiring officials of the ministry and the organisations know all too well that they must be committed to appointing the ex-officials, at the expense of absolute autonomy but for the sake of organisational flexibility. In many cases the supervising authorities would interfere both in the strategic policy-making and the day-to-day operations of the organisations. Retired officials working for the voluntary organisation might be helpful in this respect in that they can act as a buffer.

Behind this governmental supervision is the idea that the government's role is to prevent abuse of tax-exempt status by private bodies and also a tendency to extend its power base wherever possible. However, strategies for flexibility and autonomy are not entirely impossible. For example, one of the largest grant-making foundations in Japan, which was set up and sponsored by a major motor manufacturer, is under the supervision of the Ministry of Transport although the Foundation itself is not at all concerned with issues related to transport. Interestingly this arrangement allows the Foundation a far wider remit, including international aid, grassroots social movement etc. than could have been possible under, for example, the Ministry of Health and Welfare.

Japanese statism which has been outlined here in its direct relationship with voluntary organisations has been underpinned by a view that for public purposes in modern history anything governmental is superior to its private counterpart. Having twice recognised the country was lagging behind, at the Meiji Restoration in 1868 and when defeated in World War II in 1945, the country's motto has always been 'to catch up with the West'. This policy has been implemented by bureaucrats (and politicians) planning industrial development with the co-operation of industry for mutual benefits. What has become known as 'Japan Inc' refers to the above collaboration between bureaucrats, politicians and industry and has been the core of economic and social engineering. For the

country's best and brightest graduates from the University of Tokyo, entering the civil service is still regarded as prestigious despite the low level of wages in service compared to what they can expect in the private sector. Neary succinctly describes civil servants as seeing themselves as public mentors rather than public servants (Neary, 1992: 53). Arguably there has been a high level of trust on the part of the general public at least until the mid-1970s in the government's ability to create economic wealth for the people.

The Japanese welfare state

Such a mentality may, however, seem contradictory when we take a look at the Japanese welfare state, which can be labelled as minimalist and residual in the industrialised world according to commentators in comparative social policy (eg Gould, 1993, Esping-Andersen, 1990) and in Japanese studies (eg Pempel, 1982). Historically speaking, the development of social policy has suffered from the country's obsession with economic and military enhancement and the oil crisis of the early 1970s which hit the economy of a country with scarce natural resources hard. The government of the day effectively shut down the mounting pressure for more fully-fledged social policy measures, by referring as bad examples to the economic crisis of other advanced countries with their heavy burden of social expenditure. It also declared the virtue of family ties and neighbourhood help in providing care for those in need. It is far beyond the scope of this paper to give a full description of Japanese social policy.[9] However, generally speaking, the Japanese do not expect very much of the state pension and publicly-provided care for the elderly. The relatively high propensity of the nation to save is partly due to the limitations and inadequacy of publicly-run social services. Some social services are dominated by the private sector with little or no subsidy from the public sector (notably higher education and residential homes for the elderly), charging the users commercial rates. Obviously this is one of the reasons for the recent development of voluntary organisations, who seek to contribute to filling the gaps left by the state provision of social services and expensive, commercial provision of similar services.

Despite the limited range of state welfare and the lack of affordable provision by the private welfare sector, citizens' initiatives may not have flourished until recently because

'volunteering' has suffered from a tainted image. Thraenbardt (1992) distinguishes four major types of volunteering in Japan by employing two axes: whether traditional or new and whether institutionalised or non-institutionalised. The first type of volunteering, 'traditional non-institutionalised volunteers', is found in chonaikai or jichikai (Neighbourhood Associations). In the early decades of this century, households were placed in neighbourhood schemes, which were used by the authoritarian government of the 1930s and 1940s to police potential dissidents and detect attitudes which were seen as uncooperative for the war effort, such as personal extravagance or subversion such as reading Marx. This system, with its root in the Edo period (1603-1868), has been reformed and given a more democratic face, but it has not entirely lost its previous connotation.

The second form of volunteering, 'traditional institutionalised volunteers' is associated with minseiiin, or Appointed Community Welfare Commissioners. This is an institution originating from Germany in the 1910-20s, similar to 'friendly visitors' in Anglo-American countries, which was to provide counselling and help the poor and the destitute. In fact, this was again a governmental instrument for social control. After the War, the role of the Commissioners has become more that of an intermediary between those in need and professional social workers. Thraenbardt (1992) finds that the Commissioners, who are often also the leaders of Neighbourhood Associations, are predominantly farmers and relatively older men, suggesting a traditional, conservative inclination, which may put off some groups of people.

Thus the traditional structure of voluntarism has been in need of re-vitalisation and the injection of fresh ideas, so as to attract different people. One of the new forms of volunteering, the third type in Thraenbardt's typology, is however already institutionalised borantia-katsudo (the Japanese adaptation of volunteer activity). This seems to be closely related to what the Ministry of Health and Welfare describes as over four million volunteers who are 'registered or recognised by municipal councils of social welfare'. What is suggested here is that, although there is nothing inherently wrong about volunteering within the state welfare system itself, this type of volunteering is not always synonymous with the voluntarism at the core of voluntary organisations.

Thraenbardt finally mentions 'non-institutionalised volunteers and other alternative groups' by employing the word Jumin-undo, or the residential movement. This was a civic movement decidedly 'anti-establishment', either critical of government policy or of the misuse of power by business which peaked in the 1970s (Amenomori, 1997: l93-194). While Thraenbardt sees this movement as a thing of the past, Amenomori (ibid) seems to regard it, if not explicitly, as a contributing factor to the recent development of the nonprofit (or voluntary) sector in Japan. Amenomori (ibid) however also notes that the confrontational style of jumin-undo groups led to the deep-seated distrust in the minds of business and government towards what we might today call voluntary organisation activities.

Recent developments

So far I have outlined historical and contemporary contexts in which voluntary organisations have operated and argued that the contexts have been largely adversarial to the development of the sector. This section will in turn focus on recent developments which are pushing the need for a fully-fledged sector forward. They include concern with demographic change and its challenge for social policy, change in Japan's political-economic structure, and increasing demands for quality and choice in public services on the part of the general public.

One of the most serious concerns for Japanese social policy is the speed at which society is ageing. The Japanese population has hitherto been relatively young. However, it is projected that by the year 2014 about 23.6% of the total population will be over 65, double the current figure, and the ratio of those aged 75 and over in particular is expected to increase (Ministry of Health and Welfare, 1995). Pension payment above all, but also the cost of health and care for the elderly, are expected to push up social expenditure, something the government has tried hard to contain at the same time as the younger working population is diminishing.

The acknowledgement of and the need for volunteering was made in a recent policy statement by the Ministry of Health and Welfare in a document entitled 'Basic Guidelines on the Measures to Promote Public Participation in Social Welfare Activities' published in 1993. The Ministry, in promoting the principles similar to community care and the idea

of normalisation, thus encourages 'volunteer activities towards realising a participation-oriented welfare society' (Ministry of Health and Welfare 1995: 103). It is not clear whether the 'volunteer activities' mentioned here would coincide with the third type of volunteering outlined by Thaerenbardt. More significantly, it is uncertain whether the Ministry is aware of distinctions between volunteering, voluntarism and voluntary activities and organisations.

Second, the collaboration between bureaucracy, politicians and industry has started to erode in recent years, manifested by the general election of 1993 which the Liberal Democratic Party lost for the first time since 1955 and subsequent political instability. Changes in the economy are one of the most fundamental reasons, along with political corruption, for the apparent collapse of the formidable triangle which has sustained economic growth throughout the post-war decades: the globalisation of business and the shift of the economy from manufacturing to service and high-tech industries have challenged the old coalition, and led to the country becoming more open to more diverse approaches to the governance of the public sphere.

The third factor to note is the rise of consumerism and a growing concern with quality of life. People are increasingly dissatisfied with the quality of the services provided by the public sector, which in principle guarantees minimum standards and offers a limited range of choice.

The general public has started to articulate the belief that social service provision should be customer-oriented rather than supplier-led. The recent assumption that voluntary organisations are more democratic, flexible and responsive to the needs of customers has been powerful in public discourse despite its lack of empirical back-up. This assumption has been broadcast in the media and has almost led to a simplistic dichotomy between public provision as monolithic, unitary, dull and mechanistic on the one hand, and private, voluntary provision as humanistic, responsive and diverse on the other hand. Thus the latter tends to be viewed as the only solution to the issue of improving quality in welfare services.

The development of non-welfare service agencies is due to entirely different reasons. The growing concern for environmental issues globally and locally have led to the development of numerous organisations for recycling, environmental research and

community action. An increase in the non Japanese population in the country and the awareness of Japan's position in a global community have led to the birth of organisations for human rights and the promotion of international understanding. A precedent movement to these is a remarkable growth of the NGOs for overseas aid since the 1970s. Concern for safe food has created neighbourhood schemes for collective purchasing of organic food, and watchdog groups for water and agricultural produce.

Although research has been patchy, and statistics to show the scope, size, turnover and income structure of the sector are available only to a limited extent, it seems that the observation that growth is impressive and fast-growing is not unduly exaggerated.

Having outlined some of the historical and contemporary contexts of the Japanese voluntary sector, the following two sections of this paper will describe sector issues and organisational problems. The discussion of some of the common problems shared by voluntary organisations across individual areas of activity will draw mainly on two recently conducted quantitative studies (Sumishin Research Institute 1996; Tokyo Metropolitan Council 1996). The second part of this section focuses on NGOs, or organisations for international aid within the voluntary sector, and is based on the author's own study of six major organisations in Japan.

Management issues

The lack of proper legal status for voluntary organisations in Japan has already been mentioned. Other additional issues include problems of finance, human resources, governance and the relationship with government in general. These cross-sectoral problems may look obvious or familiar to researchers and practitioners from other countries, but my description of them will focus on features which are particularly Japanese or related to the specific contexts in which voluntary organisations operate in Japan.

Finance

The study of voluntary organisations commissioned by the Tokyo Metropolitan Council (Tokyo Metropolitan Council, 1996) uncovers interesting features about the responding

650 agencies based in the capital. They by and large possess the features of voluntary organisations listed earlier. The sample was drawn by random selection from seven directories listing community-based organisations. The agencies vary in terms of the areas and types of activity, and size. As to legal status, the majority (over 80% of 650 surveyed) are associations with nonjuridical character. 13% of the total respondents are Incorporated Foundations and Associations defined by Article34 of the Civil Code and Social Welfare Corporations. The rest range from co-ops to 'commercial' companies. It must be noted however that the composition is not meant to be representative of the whole sector, as the survey design is skewed in favour of unincorporated associations on the assumption that they would be more likely to be bona fide voluntary.

The Sumishin Research Institute (1996) conducted a study commissioned by the Economic Planning Agency of central government. It looks at five different localities across the country, ranging from a major residential borough of Tokyo to a small town in Tochigi prefecture, north of Tokyo. The sample includes only unincorporated associations and deliberately excludes 'traditional' type of volunteer groups of the same legal status (such as chonai kai, see above). The respondents total 452.

Both studies shed light on the issue of finance. The surveyed agencies vary in this respect, with annual incomes ranging from 300,000 yen (£1,500) to over 500 million yen (£2.5 million) for Tokyo Metropolitan Council (1996), although the large-scale organisations are dominated by Incorporated Foundations and Associations, and Social Welfare Corporations. Lack of financial resources is the top issue among others (eg shortage of service delivery staff, staff training, governmental interference, absence of proper legal status and tax exemption arrangement). The legal problem I have outlined earlier seems to be regarded as a sectoral, long-term issue, but when asked as individual organisations, financial and human resources stand out as more pressing issues.

The analysis by organisational size given by the Tokyo Metropolitan Council report (1996) shows that financial difficulty is most strongly identified by organisations with the relatively large income of over 5 million yen annually (£35,000), which tend to deliver services on a regular basis (and have a permanent, organisational structure to manage the delivery). Another categorisation of agencies adopted for analysis in the report is

made by legal status: one set consists of associations with no legal status and the other Public Interest Corporations and Social Welfare Organisations. Not surprisingly, the former set of groups operates on a much smaller scale - for over 20% of the total respondents the annual income is less than 100,000 yen (£500), which would barely cover the cost of a secretary for a month, and about half operate within the income of 500,000 yen (£2,500), though on the other hand 29% has a base of over 10 million yen per annum (£50,000). This can be better understood when seen in conjunction with the kinds of the activities the organisations in the two different categories carry out: the majority of the former are either 'study circles' (31.5%) or collective action groups (35.7%), rather then service providers to a third party. Thus they do not always need designated office space, permanent staff and other infrastructural facilities necessary for service production and delivery. In sharp contrast, 92% of Public Interest Corporations have budgets of over 10 million yen (£50,000). Over half of the organisations in this category provide services directly to end users.

The Sumishin Research Institute (1996), whose sample is exclusively unincorporated associations, finds that about one third of the total respondents have an annual budget of less than 100,000 yen (£500), and only 8% have more than 5 million yen (£25,000) per year to spend. In this survey, therefore, most of the organisations operate out of an individual's home and do not have office accommodation or paid staff. It is not clear from the report what types of activities the respondents carry out (ie service delivery, advocacy etc), but the areas they cover are diverse, including social welfare, community development, health, environmental issues, education and the promotion of international understanding.

Conventional wisdom about the finance of voluntary organisations in Japan has been that grants from the public sector and private giving are close to non-existent or fairly limited. Interestingly, however, in the Sumishin Research Institute report (1996), the respondents on average rely for 17% of their income on public grants, a figure which in consistent across respondents from different budget clusters.[10] The Tokyo Metropolitan Council report (1996) similarly shows that 12% of the income for the respondents come from public grants, although a caution is noted that this is only a gross average of varied percentage figures. The report also provides a different type of analysis on how many of

the respondents attract public grants and private donations. It finds that about a quarter of the respondents across budget size receive some public grants. It also finds that 42% of unincorporated associations receive some donations. Even 61% of Public Interest Corporations and Social Welfare Corporations, which as I have described tend to be seen as part of the public sector, receive donations. Although both public grants and private donations may still be small sums of money, the two studies have shown that neither source of income is negligible. They have also suggested that the income structure of voluntary organisations is diverse, involving not only membership fees and user fees but also money provided by external parties who have no direct involvement with the organisations.

Human resources

The lack of human resources, which can perhaps be partly improved by funding, is also widely acknowledged as a problem area by the voluntary sector in Japan. The problem has at least three aspects: first is the sheer lack of personnel for service delivery and other frontline activities whether on a voluntary or paid basis. Paid full-time workers in particular are hard to come by for small-scale organisations which cannot afford to offer reasonable salaries. Second is the lack of specialists with proper training and experience for specific functions, including administrative staff for strategic planning and management. The third aspect relates to the lack of training opportunities for volunteers and staff.

The weak financial basis is generally considered as the main reason for the above problems. It is difficult, in particular, to attract creative, imaginative, communicative and forward-thinking candidates to the low-paid jobs available with voluntary organisations which enjoy only a marginal place in society.

This problem is exacerbated by the life-time employment practice prevalent at least in the public sector and in large businesses and particularly for men in Japan.[11] It is customary for the civil service and large- to mid-scale businesses to recruit university finalists and employ them right after graduation (from 1 April each year), but very rarely in any other way. The employees tend to stay on till retirement. Unlike their British counterparts who would try to get promotion by moving from one company to another but

stick largely to the same occupation within the labour market, Japanese company-employees and civil servants tend to be promoted through being moved around within the organisation. Their jobs will be changed to different locations, functions and capacities within the company. This produces generalists with a range of experience and wider views, a quality needed for senior level managers. Particularly for the employees of big businesses and civil servants, it makes good financial sense to stay on because of the seniority system and incremental pay rises. Large companies in particular offer a range of fringe benefits and arrange mortgage deals at subsidised rates. It is possible to move to a different company, but traditionally few respectable companies are open to those who are not 'fresh' from university. Trained to be generalists, few people have marketability, a fact which limits employee mobility between firms (Eccleston 1989, 72-75). All of this adds to the strength of large business and the government sector. They can offer attractive reward packages to graduates and hold mid-career managers. In sharp contrast, voluntary organisations generally do not possess such advantages. Their workers and volunteers tend to be those who are personally committed and can afford to offer their service. Voluntary organisations thus have a fundamental difficulty in attracting competent workers.

Governance

Another major problem is found in relation to the management committee. The problem is not about its role, efficiency, relationship with paid staff nor composition, but its non-existence or shaky basis in organisational structure. The Anglo-American concept of a management committee that is the very essence of a voluntary organisation, entrusted with organisational objectives, does not appear to exist in Japan in the same way even amongst incorporated organisations. Legally speaking, a management committee is neither a must for Social Welfare Corporations nor for Public Interest Corporations under the Civil Code. It is only in recent years that the Ministry of Health and Welfare in the form of administrative guidance started to require the existence of a committee. In the case of Public Interest Corporations, a guidance to the same effect was issued across different ministries and departments of government concerning public control and supervision of the organisations in 1987.

However, interpreting the newly-required committees referred to above (hyogi-in kai) as management committees as we understand them in the British context is misleading. Their expected functions are to give advice to the executive body and to check and stop the abuse of power by directors, but the committees are largely symbolic and become active only under exceptional circumstances. Riji-kai, another kind of committee for management, is possibly closer to the notion of the management committee in the British context in that members are expected to provide expertise and external contacts and make strategic decisions. At the same time, however, riji-kai is similar to the directorate of senior directors in a large organisation in that members are paid staff, both full-time and those who only need to turn up occasionally. At any rate, there is no clear understanding about what hyougi-in kai or riji-kai are for and confusion between the two terms is prevalent. It can also be said that the bodies, the former in particular, are largely passive and symbolic rather than proactive and substantial. A survey on the management of Social Welfare Corporations, reported by the General Management Agency in 1992, finds 133 institutions out of 198 surveyed (67.2%) without any hyogiin kai. Even among the 65 organisations which have them, hyogi-in kin is not functioning properly: strategic decisions are made by the directors without the involvement of the committee. Or hyogi-in Kai is merged with directors' meetings. In 27 institutions, all the directors (riji) are at the same time committee members of hyogi-in kai, and tend to form the majority at committee meetings (General Management Agency 1992).

A similar picture can be drawn for Public Interest Corporations. 12% of the 1,513 Public Interest Corporations surveyed by a questionnaire sent by the Sasakawa Peace Foundation (1992) had no members of a management committee (hyougi-in). The concept of guardianship is thus almost non-existent. The Tokyo Metropolitan Council report (1996) asks where major decision-making takes place. For one half of the respondents, it is the General Assembly and/or riji-kai which presumably consists of senior directors of the organisations. For the rest, however, ad hoc meetings of members or senior managers are the main device. The questionnaire does not even provide an option of hyogi-in kai. Rather than a careless omission in the questionnaire design, this suggests that the concept of guardianship is not quite prevalent in Japanese voluntary organisations and the non-profit sector in general.

Among British voluntary agencies, negative sentiments about management committees are not uncommon: for example, the committee tends to interfere with daily operations too much or shows too little interest in the work of the organisation; it is hard to get the 'right' composition of the board for the agency; the board turns out to be disappointing in terms of efficiency and other capabilities expected by staff (Harris, 1996). Such problems are rarely identified for Japanese voluntary organisations, but the problem is that they tend to lack long-term vision and external support from people with resources. As a result, the organisations easily get stuck when something goes wrong. When early enthusiasts who are both committee members and directors leave, organisational objectives and the sense of commitment tend to weaken. The management committee is not expected to provide resources such as fund raising capacity, accounting and other specialist skills, contacts with key personnel in government and other relevant bodies, connections with the local community, all of which can contribute to the sustainability and development of the agency.

A close look at the sector: the case of development NGOs

The development NGO sector

NGOs, the term often given to voluntary organisations engaged in overseas aid work, have been growing phenomenally. Some of the major NGOs already have a markedly strong financial base and carry out extensive overseas activities underpinned by a solid organisational structure. This is perhaps the only subsector within the voluntary sector which has a distinctive self-identity. Since the major NGOs command a far greater income than the rest of the voluntary sector does, some of the quantitative research reports in analysing financial structure and its implications (eg Nissei Research Institute, 1994) have even singled NGOs out from the rest. Setting aside the argument whether NGOs should be distinguished from voluntary organisations in general in conceptual terms or not, this section of the paper focuses solely on NGOs. Drawn from my own research on six large NGOs its purpose is to examine organisational issues that are beyond the already mentioned problems such as funding and legal structure. Before moving on to their problems and issues, it is necessary firstly to give a brief description

of the NGO sector as a whole, and secondly to summarise the organisational features of the agencies on which the research was conducted.

In short, the NGO sector has experienced enormous growth during the last two decades. While European and American NGOs have a long history originating in missionary work, Japanese NGOs only emerged after World War II and particularly since the 1970s when natural disasters and civil wars have given rise to millions of refugees in Africa, Southeast and South Asia. This is also the period when an increasing number of Japanese started to travel abroad or were posted overseas as the country's economy expanded, which arguably contributed to a national sense of responsibility for global society. The peace treaty in Cambodia after her long civil war and the subsequent general election in 1993 was a recent watershed, which stimulated many young Japanese in particular. A number of them volunteered for the United Nations in observing the election and published their extraordinary experiences (Fukunaga, 1994; Komiya, 1993; Ueda, 1993). Although it was an 'official' type of volunteering, helping the third world by volunteering has become fashionable.

Against this background, the Ministry of Foreign Affairs instigated a subsidy scheme for NGOs (though the definition of NGOs seems to include quangos) in 1989 to support their projects for overseas aid, with grants totalling 540 million yen (£2.7 million) in 1994/5 (Association for Promotion of International Cooperation, APIC, 1994: 226). There is another grant scheme for 'grass roots projects' in overseas aid (details of this are not very clear). The Ministry also started to provide insurance for Japanese volunteers working overseas. In 1994 it even created a post designated to liase with the NGO sector. In the meantime, the Ministry of Post and Communication launched a new donations scheme for holders of postal savings accounts. The scheme enables the account holders who sign up to it to automatically transfer 1% of the interests they earn to charities designated by the donor or to a general fund from which the Post Office would distribute grants to specific NGOs. Although the system has a few contentious aspects such as the selection of eligible NGOs, and it has annoyed the Ministry of Foreign Affairs in violating territorial boundaries within central government, the public response has been enthusiastic and the scheme has been highly praised in the media.

Although the overall impression is that this particular sector has expanded, as I have already stated, the exact measurement of growth is difficult. Efforts have been made to compile NGO directories from time to time, but they have been sporadic and the definition of NGOs suffered from a lack of clarity which makes the summary of the sector given in the directories unreliable. Directories may list quasi-governmental auxiliary bodies alongside voluntary agencies in the field of overseas aid. Likewise, the figures released by the Ministry of Foreign Affairs which show the total turnover increasing from US$205 million of 1987 to US$291 million of 1993 (APIC, 1994) need to be read with caution. However, as will be shown later, it is evident that large-scale agencies at least have become larger over the years.

The following will draw on my small-scale study of six major NGOs in Japan, with interviews conducted from April to June 1995. If we exclude quangos, they rank among the top ten largest in terms of annual income according to the latest directory of NGOs in Japan (JANIC, 1994). The agencies vary in terms of age, ranging from the oldest which was set up in 1948 to the most recent established in 1983. One half of them have Public Interest Corporation status, and the other half remain unincorporated. Other data on the individual organisations such as their objectives, staff size, membership and areas of operation are summarised in Table 1 in Appendix.

Organisational features - similarities and differences

One feature shared by the agencies is their rapid growth over the years. In the aggregate, the group has grown tenfold from the early 1980s[12] to 1992/3 in terms of annual income. Even the lowest growth rate (for Agency A) is 340%. Agency B, which is the youngest of the six, has a staggering growth rate of over 2,000%. Formalisation has accordingly been experienced by all the agencies: they have clarified their organisational mission and objectives, adopted internal rules and regulations, started to employ paid staff, rent office accommodation and so forth. The expansion of staff and work has created the need for a division of labour and efficient management. Committees, the General Assembly and other organisational systems have been established with clearly-defined functions and relations to each other. Strategic planning has been introduced, with accounting and reporting conducted formally on a regular basis.

The structure of the agencies has also become more complicated due to the geographical expansion of their activities. At home, the original agencies have acquired regional and local offices around the country. Regional/local offices vary in function from one agency to another: One of the functions is to raise funds to be administered at the headquarters of the agency. Another is to initiate projects and propose their further implementation to the headquarters. Overseas of flees and branches have also increased in number and scale. Many of them have started to employ local people and have accumulated experience in long-term development work involving local communities. Local offices have therefore gradually been given more power and autonomy in decision-making for both strategic planning and day-to-day operation. In some countries, some offices have already been incorporated under local law.

The range of the activities in which the agencies are engaged has changed over time, and the overall pattern of the change can be seen in parallel to the context of the development among the European and North American NGOs. Four of the agencies were established in the 1970s and 1980s as an immediate response to the urgent need of refugees, caused by political instability and/or natural disaster in the developing countries. Their activities were, therefore, mostly responsive and remedial, such as providing medicine and food. Gradually, they have become aware of the need for sustainable development, which involves the restoration of lost communities. In a similar way to European and North American NGOs, they have learned the importance of mutual understanding between the North and the South, of involving local people in their projects and of respecting the culture and values of the local community.

In the meantime, a strand of thinking has developed that poverty in the third world cannot be eliminated without tackling the problem at its root, that is, the political and economic structure of the recipient countries. It argues that to stop exploitation of the poor by the local ruling class it is necessary to democratise government in the South and to empower people at the grass roots to work for their own welfare and decide their future. Northern NGOs have also become concerned with the larger global picture of capitalism where advanced nations, in effect, exploit poor nations. They have argued that the life-style and consumption patterns of the North contribute to the deterrence of economic development in the Third World. The Japanese NGOs likewise have become

acutely aware of such structural problems and have had to face opposition to and demonstrations against Japanese exports and economic penetration in the Southeast Asian countries since the 1970s.

Such a qualitative change in the NGOs has been well-described by Korten (1995), who uses the term 'generation' to refer to each phase of the pattern of the NGOs in their philosophy, values and perception of problems. Korten maintains that the first generation was limited to rescue and welfare, the second focusing on community development, and the third on the systematisation of sustainable development. The 'fourth generation' of NGOs would be the one to work towards a people's movement which he defines as an emerging concept or goal rather than an observed practice. According to this developmental pattern of major objectives, the NGOs' projects have changed in terms of duration, scope and main actors. It seems that the Japanese NGOs we are examining have been following the same path.

The above has briefly described the growth which all of the six agencies have experienced. A close examination of current form and structure will reveal differences among them.

Firstly, they differ significantly in terms of income structure. Agencies A and B derive their major income from donations and membership fees, whereas the rest rely much more on earned income, public grants and government contracts. The difference in income structure is closely related to the difference in the kinds of activities in which the organisations are engaged. The former two which depend on the goodwill of private individuals tend to be, if provocatively put, 'populist' in their style of appeal. Agency B which is affiliated to a major international charity has been criticised in relation to its fundraising advertisements in the mass media, for having spent what some saw as excessive amount of money on advertisements. The second criticism has been targeted at the agency's misleading or deceptive references to child sponsorship in posters and leaflets, when actually donations go to non-designated funds of the agency. This is a marketing technique of 'tangibilising' the benefits of donations. Agency A, whose income derives largely from the members of the religious body to which it is affiliated, emphasises fostering solidarity and communication among its members as one of its objectives. The agency is aware that it is self-contained in terms of income generation

and operational style, hence its main focus on its members (as opposed to beneficiaries and a wider society).

In contrast, income from commercial activities such as craft fairs and study tours is significant for Agency C. Commercial activities are not, however, only for the purpose of cross-subsidisation: selling crafts supplied by the developing countries it supports generates jobs in the South, and is an effective means of development education in Japan. Involving local people from different parts of Japan through fairs and mail order catalogues of the crafts also represents the organisational aim and value of participation. Agencies D, E and F receive significant amounts of money from government and quasi-governmental agencies for overseas aid, and hence tend to be engaged in large-scale projects such as the construction of facilities and provision of goods and services.

The second difference is seen in their operational style, namely, the geographical location of functions such as planning, project implementation and supply of resources. Agencies E and F are to a significant degree locally-based. Agency E even describes itself as an aggregate of projects rather than an organisation as such: projects are proposed locally and resources solicited accordingly. Agencies C and D tend to have both Japanese and local officers working together. Agency B is distinctive in that money raised in Japan is directly handed over to its international headquarters. All the money collected from different countries is then allocated to different parts of the world by the international committee to which local agencies may be qualified to send delegates. Local development agencies which belong to this international consortium will then collaborate with local NGOs in the South.

Management issues

The above section has described similarities and differences among the NGOs in relation to their organisational features, management and operation styles. The following will discuss four common management issues among the agencies. They include differences in internal staff cultures, the dilemma between the need to preserve organisational ethos and the costs involved in doing so, the agencies' image and the revisiting of organisational goals in the long-term.

First, gaps are becoming visible between different staff cultures, as the agencies become more mature and professionalised. All the agencies but one (Agency B) started with a group of enthusiastic people, who may have been less keen on systematising the work than tackling immediate problems in a collective way. (Agency B has had a more formal approach to organisation since its inception as it was supported by an established circle of people who were prominent in Japanese public life.) The agencies are now increasingly concerned about professionalism in development work even if this means a slightly different ethos within the organisation. They are pleased to have as staff young people with university degrees who are bright and efficient, and some of whom have studied development at postgraduate level. For some older agency staff, however, it seems that these young people lack passion and only see their current posts as a stepping-stone to more glamorous jobs in international organisations.

In the British literature, such a conflict has already been pointed out by Billis (1989), who suggests the concepts of 'associational world' and 'bureaucratic world' to explain cultural problems accompanying growth. How Japanese NGOs, at their critical stage of organisational expansion, will cope with such a cultural gap and head for a new direction remains to be seen.

Billis's concept can also be applied to differences between units within individual agencies: for example, between local groups of Agency D and its Tokyo headquarters. A number of bitter and hard experiences have over time been accumulated by the core staff of Agency D at its headquarters which has systematic and professional approaches. In comparison, local support groups still retain associational characteristics. The projects proposed to the headquarters by local groups, though well-intentioned, can be unsophisticated from a professional viewpoint. The local groups may not have a good understanding of the countries to which the aid is to be given, ie the political and economic situation of the country, the international politics involved and the cultural background of the country or specific regions to which proposed projects are related. The Secretary General of the agency sees this gap essentially as a matter of accessibility to information and knowledge. According to him, the cost of filling the gap and reconciling the different expectations for proposed projects has been an unwelcome but necessary expense.

The second issue, similar to the first one, is the cost of preserving the ethos of agency. This is particularly relevant to voluntary organisations, which are ultimately 'interest groups' (Salamon, 1987; Kramer, 1981). The ethos of Agency A, for example, is its religious origin and the altruism associated with Christianity. It has from the very beginning retained the clause stating that seconded doctors, nurses and other medical professionals must be Christians who hold Japanese citizenship. Also it has deliberately avoided applying for grants and sponsorship from governmental and industrial organisations. The disadvantages of being self-sufficient in this way include the limited range of potential candidates for secondment, the exclusive culture of the organisation and the unchanged, limited scale of activities. The agency has seen other major agencies constantly progressing in Korten's schema outlined before, and noticed the growing availability of grants and contracts. At the same time, it has faced self-criticism for being stagnant and lacking a good understanding of local needs and project evaluation, and has widely discussed these issues over the years in-house. Nonetheless, the policy of holding on to the original spirit and ethos has always won, and according to my interviewee little change will take place in the foreseeable future.

Participation is central to the management of Agency C. The craft fairs held in as many as over 800 venues per year around the country have been mentioned as a form of participation. They represent the values of the organisation regardless of the monetary profits made out of them. The principle permeates all the activities carried out by the agency, but often conflicts with its desire for professionalisation. In terms of efficiency, it might be better if craft fairs and lecture series held all over the country were organised at the headquarters and delivered from the top down. The role of the General Assembly, which all members can attend, could be reduced to that of ratifying decisions made at headquarters. However, the agency is determined to remain committed to the participatory style of management and continues to welcome heated discussions even at the General Assembly.

For Agency D, respect for culture is the core of its philosophy in carrying out any development work. One of its major projects has been to help restore communities and cultural identities in Cambodia, which for the agency means to help rebuild and re-establish temples, the ultimate symbol of local communities in the Buddhist country. A

temple without Scriptures means nothing for the Cambodians, but almost all the copies of the Scriptures of Buddhism written in Cambodian had already been burnt down during the Pol Pot regime. Therefore, the agency was determined to restore the writing first. However, the project was seen to be detached from the immediate needs of the people and was therefore looked down on and ridiculed even within the NGO sector. The fund raising was extremely difficult, and this difficulty was exacerbated by a perception that the agency, with its religious association, was collecting money for its own religious sake. Nevertheless, the agency quite rightly regarded this project as addressing its mission and carried it out.

The third management problem shared by the agencies relates to image. Part of this problem derives from a lack of understanding and general support for the sector in society. As was mentioned above, people would generally be sceptical about organisations without legal status and less willing to make donations to them. Agencies C, D and E have always struggled to reassure the public of their credibility. In contrast, Agency B. which is an Incorporated Foundation under the Civil Code, tends to suffer from the scepticism of voluntary sector people, if not ordinary citizens, because it is government-related. Agency F with the 'association' status under the Civil Code and well established history has the problem of being seen as inaccessible. This is particularly enhanced by the fact that its board members are largely 'the great and the good' in each locality.

Agencies A and D suffer from a negative image due to their religious affiliations: religious organisations in Japan have often been reported to abuse their tax exempt status, and this has already discredited them. The negative image has recently been reinforced by the non-discriminatory massacre attempt by a cult group in the Tokyo underground in 1995 and its inhuman treatment of members subsequently revealed by the police investigation. Some people are deterred from becoming members of Agencies A and D for fear of becoming involved with religion. Or they suspect the agencies are religious organisations in disguise. It is very difficult for both Agencies A and D to solicit donations from business companies for the same reason. Agency A, with its Christian association, has a problem in obtaining visas for workers to be posted to Muslim countries. Despite these disadvantages, the positive side is that religious connections

can be very useful in finding members and promoting communication among them. It can also be helpful in organising events such as fairs, and can sometimes contribute to their credibility overseas.

The fourth management issue is the broad question of the future direction of the agencies. As was mentioned, they have gone through different phases, in which missions and goals have been questioned and modified time and again. With limited resources and seemingly endless jobs to be done both in the South and at home, they are aware of the need to re-define their remit, prioritise objectives and allocate resources accordingly. Even Agency A, which has not changed its narrowly defined objectives and operational style, feels the need to redesign its future direction so as to provide benefits for the local communities rather than to serve the satisfaction of its members. Agency F. in contrast, started with the almost all-embracing ideal of 'peace' which was enthusiastically received by the immediate post-war society. However, this abstract concept no longer can hold the members together, and has made the organisation's objectives unclear or ill-defined. Although it is unlikely to change this umbrella concept in the near future, the agency sees it as imperative to define strategic objectives and aims with clear reference to concrete projects.

The review of the past and the present in order to plan for the future, however, is not easy, since the activities of the NGOs, as many voluntary activities may well be hard to evaluate for several reasons Mason (1984), Moss Kanter and Summers (1987). One of them is that it will take years before any visible or measurable outcome appears because of the longer-term goals of development. Another is that the data which is needed for evaluation is difficult to collect in the South, which generally lacks accumulated good statistics. There can be major contingencies which affect the success of specific projects, such as natural disasters, war and political change in the host countries. Except Agency B at its multi-national headquarters, the agencies have not developed any criteria to measure their success. Lack of evaluation which leads to a lack of confidence about the past and uncertainty about the future was pointed out as an issue by many interviewees in my research.

Conclusion - policy issues and the future of the voluntary sector

This paper has outlined the development of the voluntary sector in Japan and discussed management issues at both sectoral and organisational levels. Organisational issues have been discussed in relation to six major voluntary agencies for international aid. The remaining part of the paper will examine policy issues back at sectoral level. They will include the empowerment of the sector, the lack of intermediaries and the danger of governmental 'take-over' of the sector.

In Japan, the lack of resources has always been given as the primary problem, which is often seen as due to the insufficiency of private donations. With no established concept of 'voluntary organisations', such organisations first of all have the difficulty of explaining themselves to the public, and few people are confident of the value of any donation they may make. At a more practical level, money remittances tend to be problematic for Japanese people because Japan still has a cash economy: few people have personal cheques and making charitable contributions by credit card is uncommon. Despite this practical problem, a huge amount of money was raised after the Kobe-Awaji Earthquake of 1995. While this is an encouraging sign for the voluntary sector, it also shows that there is still a long way to go. The charitable contributions made to the Red Cross and other similar 'established' charities were pooled and handed over directly to the local authorities in the Kobe area. The voluntary organisations actively engaged in the relief work have hardly benefited. This episode suggests that while the public may well make private donations when their compassionate emotions are aroused, the donations do not directly benefit the voluntary sector.

A second issue is the lack of intermediary, support agencies for the voluntary sector which could provide training, information, advice and other intangible support. As was mentioned, the NGO sector has developed its own identity, network and an NGO resource centre. But agencies in other spheres have not yet done so. One obvious reason is the overall under-development of the sector as a whole: the notion of voluntary organisations is only slowly emerging, helped by recent publications on the subject, communication gradually increasing, and relationships generally being established

between the organisations themselves. However, it is conceivable that many voluntary organisations are not even aware of such developments, nor have they heard of the term 'the voluntary sector'. Establishing intermediary organisations which are permanent (rather than occasional and informal networks) would however face the usual problem of incorporation. In this case, the Incorporated Association would be the likely form provided that the 200 or so member organisations which pay a subscription fee of 100,000 yen (£500) per year for instance can be gathered together and an appropriate supervisory authority can be sorted out for an organisation which would cross administrative boundaries.

Gradually, however, initiatives are being taken to develop resource centres and networks. A few university courses have started to address non-profit management, and short courses have been organised by voluntary agencies themselves. Training and networking have taken on an international outlook as well. There are a few schemes for sending managers of voluntary agencies to training courses available in the United States. Discussions are being developed on how communication and co-operation can be promoted among major grant-making foundations in Japan and the Southeast Asian countries.

Lastly, growing interest in the voluntary sector comes not only from the mass media and the general public but increasingly from the government. There is a worry among the people concerned with the sector's development that government will eventually 'colonise' the sector in one way or another. Social Welfare Organisation and private schools have its roots in voluntary activities, but as they began to be supervised by government, many of them lost their original characteristics and have become institutionalised to form an implicit public sector. Different departments of central government and ministries are beginning to pay attention to volunteering in particular, if not necessarily the voluntary sector, as a possibly useful instrument for achieving their own objectives. The Department of Health and Welfare is a case in point. The Ministry of Education tries to encourage volunteering as a form of continuing education. The Ministry of Foreign Affairs may well be hoping to give its much-criticised official development aid a human touch by supporting NGOs. The business sector in addition is paying attention to the value of volunteering as a disguise for its hidden agenda:

reducing the middle-aged workforce is an increasingly popular strategy for cost-cutting. Surrounded by these different interests, it will be a testimony to its strength to see whether the sector will keep and enhance its emerging identity or not.

Appendix

Table 1. Major Features of the Six NGOs

Agency	A	B	C
Year of Foundation	1961	1983	1972
Legal Status	Incorporated Association	Incorporated Foundation	Association with Non-Juridical Personality
Objectives	To contribute to the development of medical practice and research in under-developed countries by sending and receiving medical doctors and nurses between Japan and other countries. Through these activities, to foster the spirits of mutual help in society.	By contributing to the international headquarters which provide international aid, to support sustainable development in under-developed countries.	To contribute to solving problems between the North and the South by helping life in the South, for which the grass-roots participation of citizens plays an important role.
Beneficiaries	Nepal, Bangladesh, Cambodia, Thailand	About 30 countries in Africa, Asia and Central/South America	Bangladesh
Function	Exchange of human resources, Remedial	Fund-raising for long-term development	Promoting self-help groups in agricultural villages of host countries
Staff	Paid full-time: 11 (home) Paid full-time: 10 (overseas)	Paid full-time: 28 (home) Paid part-time: 12 (home) Volunteer: 800 (home)	Paid full-time: 10 (home) Paid full-time: 70 (overseas)
Membership	8,328	Individual 53,000 Institutional 400	Full member 1,200 Affiliated member 1,100 Institutional 20
Annual Income (million yen)	(1981) 115 (1993) 391	(1985) 170 (1993) 3,432	(1982) 10 (1993) 160
Other features	Close relationship with	International network	Emphasis on

	Protestantism	with complicated hierarchy	participation Most overseas staff being local

continued

Source: NGO Research Group (1983), Ministry of Foreign Affairs (1986) and JANIC (1994)

D	E	F
1980	1980	1948
Association with Non-Juridical Personality	Association with Non-Juridical Personality	Incorporated Association
To contribute to realising a citizens' global society where liberty and equality are respected through working with people in the less developed world.	To help people in Asia, Africa and Central/South America to cope with challenges.	To organise people's movement in order to contribute to peace in global society.
Thailand, Cambodia, Laos	Thailand, Cambodia, Laos, Ethiopia, Vietnam, South America, Palestine, Guatemala	Asia, the Pacific Rim Region, Africa, the Middle-East, Latin America
Support for independence in villages and urban slums	Development of agricultural villages and vocational training	Preservation of cultural heritage, war on illiteracy
Paid full-time: 18 (home) Paid full-time: 130 (overseas) Paid part-time: 9 (home)	Paid full-time: 18 (home) Paid full-time: 58 (overseas) Paid part-time: 5 (home) Paid part-time: 1 (overseas)	Paid full-time: 17 (home)
Individual 2,063 Student 74 Institutional 187	Individual 1,489 Institutional 15	Core institutional 265 Affiliated institutional 25 Individual 397 Supporting 7 Supporting institutional 489
(1983) 72 (1993) 603	(1981) 119 (1993) 807	(1981) 179 (1993) 700
Emphasis on culture	Project-led management	Federation of associations around the

		country

Notes

1. The manuscript of this paper was completed in early 1998. Since then, the Law to Promote Specified Nonprofit Activities (commonly called the NPO Law) has been passed at Japanese Diet. As a result, it has become much easier and quicker for a voluntary group to incorporate itself. This paper however does not take into account this latest development whose impat is yet to be seen, and discusses the legal situation up to December 1998 when the law was enacted.

2. While I do not wish to subscribe to an ethnocentric view often held by the Japanese themselves that Japanese culture and society are so special, I would like to note that this paper may tend to highlight aspects idiosyncratic to Japan. Many of the organisational issues which have been discussed for the British voluntary sector are by and large applicable to Japan. Since this is not a comparative study between Japan and Britain, however, I will refrain from highlighting similarities between the two countries and repeating what is already theorised for the British voluntary sector.

3. For the purposes of this paper, the exchange rate employed is approximately 200 yen to a sterling pound.

4. For a detailed explanation on the relationship between retirement and auxiliary organs of government, see Johnson (1978).

5. The Japanese Civil Code today does not recognise an association which is neither for profit-making nor in public interest such as social clubs. They therefore are not entitled to juridical personality (Ode 1992, p143). This has been pointed out as a flaw in the law by a number of academic commentators (eg NIRA 1996, pp34-35, chapter by Amenomori).

6. As to incorporated foundations, over half (51%) are for 'life in general', 54% for 'education, science and culture', 12% for 'public administration' and 18% for 'industry'. One association or foundation may have more than one purpose in this categorisation.

7. *Koeki hojin is* a confusing term, as it has a narrow definition employed by the Civil Code and a broad definition to refer to a range of non-profit institutions specified differently in the Tax Code. *Tokutei koeki hojin* explained here is related to the latter.

8. The calculation can be made as follows: (paid-in capital and capital surplus x 2.5/1000 + current net profits x 2.5/lOO) x1/2.

9. Gould (1993) is a good introduction to Japanese welfare state in comparison with Britain and Sweden.

10. Respondents were asked to indicate the breakdown of their income by source (eg public grants 10%, membership fees 50% etc).

11. Eccleston (1989, p67) draws attention however to the fact that this is related to only one fifth of the total labour force.

12. Statistics on the agencies are available for different years: 1981 (Agency A, D, E and F), 1982 (Agency C) and 1985 (Agency B).

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