

Building a new socio-economic system

Policy proposal for cooperation among NPOs,
businesses, and governments

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Global Industrial and Social Progress Committee

Global Industrial and Social Progress Research Institute

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1. Introduction

Current socio-economic system is approaching a turning point. In addition to the changing world trends of extensive globalization and marketization, structural changes are taking place in domestic scenes as well, including the diversified needs and values of people, and the rapid progress of an aging society with declining birthrate. On the rise are varied social issues that cannot be addressed through the conventional framework of “government and market.” Combined with the moves toward smaller governments, it has become increasingly difficult for the government alone to supply necessary social services.

2. Emergence of NPOs

Now, we find the emergence of a civilian sector that voluntarily and self-motivatedly addresses these new types of social issues. Initiated by massive volunteer efforts offered for the aftermath of the big Kobe earthquake in 1995, volunteer activities have won greater recognition in the society for their necessities and importance, leading to the legislation of Specific Non-Profit Activity Promotion Law (NPO Law) in 1998 that truly recognized the role of such activities in the society. Today, about 9000 NPOs and other local NPOs address wider issues ranged from citizens' and communities' level to international and global scale.

3. Social entrepreneurs

In the business sector, social entrepreneurs who aim to create new values through entrepreneurship have emerged, while corporations, mainly big companies, promote socially responsible management and address social issues in association with NPOs. Activities of these NPOs and social entrepreneurs are expected to encourage social reforms, with their roles winning even more important in the future.

4. Why “collaboration” now?

Most of social issues we face today are comprised of complex and varied factors, and to solve them will require the provision of necessary services through “collaboration” among governments, businesses, NPOs and social entrepreneurs. Upon the increasing realization of such needs, there are more attempts of

cross-sector collaboration or NPO-NPO collaboration.

5. Environment surrounding NPOs and social entrepreneurs and their issues

However, not every collaboration attempt has been successful to achieve the intended results. One reason is because there are fewer organizations among NPOs and social entrepreneurs that have sufficient power and resources to become the central entity of such collaboration. Second reason is because the building of social environment or regulatory changes that favors such activities of NPOs and social entrepreneurs, especially of NPOs, has shown little progress. The request to revise NPO preference taxation system has been voiced for some time in the past, and the revision including the mitigation of requirements for NPO licenses is expected to take place in the fiscal 2003, but further consideration will be needed within the framework of overall revision planned for non-profit entity regulation.

In order for NPOs and social entrepreneurs to activate their activities toward the creation of new social values, it is necessary for them to exert efforts in resolving the issues, and for governments and businesses to actively extend supports and aids to NPOs and social entrepreneurs.

Global Industrial and Social Progress Research Institute has established the Research Committee for "Collaboration between NPO/NGOs and Government and Businesses" (chaired by Prof. Kanji Tanimoto, Hitotsubashi University Graduate School) in fiscal 2001, and, with the participation of experts in each sector of universities, governments, businesses and NPO/NGOs, held discussion on the system to create and supply new social values under the effective collaboration among governments, businesses, and NPOs and social entrepreneurs that address social issues.

Based on the research result of above Research Committee, Global Industrial and Social Progress Committee is to present the policy proposal as follows:

Proposal

As a policy proposal to resolve social issues existed locally or globally and to create new social added values by providing services, which cannot be supplied, or can be supplied only insufficiently, under the current socio-economic system, through the cross-sector collaboration among NPOs, businesses with social missions, and governments, while encouraging the reactivation of locals and promoting the reform and revitalization of socio-economic systems in Japan, the Committee will like to request each sector of NPOs, governments, businesses, and universities the following 9 items.

<Promotion of mutual trust for collaboration>

(1) To promote mutual understandings and to build mutual trust among collaboration partners, establish a periodical dialogue session, build a platform for the effective implementation of collaboration, for which each sector shall actively participate, and conduct active human resource exchanges.

<Further efforts of NPOs themselves to win more trust and support>

(2) To earn trust from the society and all the supporters, including corporations, partners, beneficiaries of services offered by NPOs, and contributors, manage and control the organization with ensured transparency and explanatory responsibilities.

(3) Explore potential issues, and manage businesses with a pioneer spirit.

(4) Promote exchanges between NPOs, especially with mid-level support organizations, such as mid-level support NPOs. Also for mid-level support organizations, exert efforts in closer information exchanges with government and business sectors.

<Development of governmental support measures to activate NPO activities>

(5) Review the application of middle to small scale business support measures that can be applied for strengthening and supporting the organizational foundation of NPO social project activities.

(6) In order to facilitate the social project activities of NPOs and social entrepreneurs, such as those in welfare and education fields, realize, at earliest opportunities, the mitigation and removal of NPO license regulation, and reduce a gap in the preferential taxation system.

<Active participation of businesses for the collaboration with NPOs>

(7) For project activities with greater emphasis on social impacts, such as education, welfare, and recycling activities, attempt to build active collaboration with NPOs and social entrepreneurs, while challenging to build a new project model.

(8) Upon collaboration, actively utilize resources within the organizations, including funds, equipment, information, and technologies.

<Human resource development for NPOs and social entrepreneurs at universities and other academic institutes>

(9) To develop human resources for NPOs and social entrepreneurs, expand and develop a network of researches and education.

Supplemental explanation of the policy proposal

1. Building mutual trust – Precondition for fruitful collaboration

The mutual trust relationship between partners will determine the success and failure of collaboration. However, to build trust in a relationship will take a long time, so there must be some opportunities for daily exchanges and discussion set up, and the effective first step will be to establish periodical dialogue sessions. Moreover, a platform for each of specific fields and themes with the participation of various sectors is expected to function effectively as a foundation for addressing various issues and for pursuing the smooth execution of projects.

As an example of similar activities abroad, “EU Multi-stakeholder Forum on CSR,” which is a platform about corporate social responsibilities (CSR) consisted of representatives from industries, labor unions, civil societies (NPOs), consumers, and experts, with a chair by EU Committee, has been established in 2002, and started the activities for further disseminating CSRs in the region.

A domestic example of trendsetters is the Japan Platform established in July 2000. This organization is a mutual cooperative organization among government (Ministry of Foreign Affairs), industries (Keidanren), and NGO unit for urgent humanitarian relief activities, and has already executed and succeeded in the relief efforts for the earthquake victims of Western India, and the aids for Afghanistan refugees. It is operated under the governmental aids and by contribution from corporations and citizens. Corporations provide equipment, human resource, funds, and information, while NGO unit consisted of a group of qualified NGOs takes the role in local activities and project planning.

In addition, there are local level platforms in Japan, including NPO “Kanda Gakkai,” and “Urban Community Platform,” which carries a project to rebuild a town with the participation of Meiji University, Ministry of Education and Science, and other local Kanda region corporations.

In the future, the establishment of middle support type platforms that have a mission to mediate NPOs’ support and collaboration is strongly anticipated.

Cross-sector human resource exchanges are thought to be effective in the promotion of mutual understanding. Actual cases include the dispatches of Foreign Ministry officials for the training of NGOs (internationally active NPOs), and of local government officials for domestic NPO trainings. However, due to considerable gaps in the pays and treatment between NPOs and government agencies, it will be difficult to realize human resource exchanges that include the actual transfers of people from government agencies and businesses to NPOs. For the moment, it will be more realistic to accumulate the experiences of actual

exchanges through the application of systems such as limited -term employment and temporary worker employment from NPOs to government agencies.

2. Reinforcing the foundation of NPO organizations

In order for NPO organizations to participate in collaboration, it is essential to secure the organizational credibility. For this purpose, it will be important for NPOs to carry out higher concepts, to ensure transparency, and to fulfill their explanatory responsibilities. Also, they need to try to strengthen their organizational foundations by elevating their management capabilities.

NPOs must aim for the organizational management system that can withstand NPO assessment, while reinforcing the foundation, in order to win the understanding and consent of their supporters and service beneficiaries as well as collaboration partners.

3. Promoting businesses based on the pioneer spirit

NPOs' efforts to explore issues as forerunners, and to challenge for the resolution of such issues as their missions are comparative to the efforts of venture corporations for creating new businesses. Such activities require high and creative ideas, and to promote them will demand strong beliefs and higher level expertise as well as the show of entrepreneurship that adheres to the establishment of businesses.

4. Expansion of exchange activities and expectation for middle support organizations

There are several middle support organizations that have already achieved collaboration mediating results, including NPOs such as Japan NPO Center, and Partnership Support Center (*), as well as Japan Philanthropy Association(**), Japan Keidanren 1% Club, and citizen support centers established by local governments. These organizations enable the appropriate mediation of information regarding NPO organizations and their collaboration partners. NPOs need to increase efforts in more concentrated information exchanges with these middle support organizations.

In turn, middle support NPOs must collect, exchange and share higher quality information through more active exchanges and closer communication with corporations and governments as well as NPOs, in order to achieve better collaboration results.

At the same time, it will become important in the future to consider

building appropriate systems for the database creation and disclosure of such information.

(*) NPO Partnership Support Center (PSC) is a mediator organization for Mitsui Marine and Fire Insurance Corporation (currently Mitsui -Sumitomo Insurance Co.), a study group for women 's issues "Sun Iris," and "Group Space 21," a group consisted of hearing impaired, mentally retarded, and healthy individuals, and organizes, operates, and manages "Cafe Iris," a coffee shop in Mitsui -Sumitomo Insurance's building. Three organizations divide their roles, in which Mitsui provides location, utensils, furniture, and utilities for free, while Sun Iris and Space 21 operate the Café itself and pay for food ingredients, transportation, office expenses and other daily management expenses from the sales at the Café. In addition, Mitsui -Sumitomo Insurance contributes to NPOs through PSC their used chairs, desks and other surplus office equipment left over from their merger, and the merger -related unification and closing of their offices and stores.

(**) Japan Philanthropy Association, participated by Animo Corporation that owns communication technologies, child -care support NPOs, and Braille volunteers, coordinates the launching of service providing projects for two -income families, and has developed, or is in the process of developing, the projects of "Animo Shop" (on-line shopping services for handicapped and elderly), "Koe-no-hanataba (bouquet of voices)" (vocal services for visually impaired about information on magazines, books, governments, corporations, and NPOs), and "Urgent Childcare Support System by volunteers " (under development as of 2002), respectively.

5. Application of small to medium corporation support measures for the purpose of reinforcing the NPOs' organizational foundations

Along with the introduction of favorable taxation system, the provision of information to NPOs that attempt to solve social issues, and the support for their fundamental projects including training and management counseling are necessary measures to promote the reinforcement and growth of NPO organizations. Today NPOs are added to the target entities of support measures intended for the creation of new businesses, rebuilding of towns, lifetime education, new energy introduction, energy saving activities, etc., but it is still preferable to review and implement the addition of NPOs as the target entities in other broader support measures for small to medium companies, such as the training expense subsidies for training in NPOs, financial aids for ISO status acquisition (*), and

development cooperation for the commercialization of welfare equipment and apparatus.

(*) Increasing number of local governments subsidizes a part of expense of small to medium companies for the acquisition of ISO9000/14000 series licenses. However, in the case when a nursing NPO “Care Center Yawaragi” applied for the expense subsidies to Tokyo Metropolitan Government about the acquisition of ISO9000, that Government determined that they could not include NPO entities in small to medium companies, so the “Care Center Yawaragi” paid the whole license acquisition expense (about 6 million yen) from their own fund, instead.

6. Promotion of entries of NPOs and socially-conscious companies through deregulation, regulatory mitigation, and correction of distorted taxation system

(1) There still exists a clear gap, in terms of preferential taxation system and subsidies, between social welfare entities in welfare fields such as nursing and childcare, and NPOs and corporations, with strict regulation hindering the entries into welfare entities.

For example, in case of nursing insurance businesses, there is a clear inequity since NPO entities are taxed and social welfare entities are exempt from taxation. In the care facility field also, the entries of private businesses into this field are strictly regulated.

(2) As a result of restriction on the entries of private entities into educational fields, the quality of educational services has deteriorated significantly. As in the proposal of Special Zones for Structural Reform, it is necessary to develop favorable conditions for fair competition to provide better services by allowing the entries of private entities such as corporations and NPOs into school management.

Every state of the United States provide educational services that include lectures by famous college professors through internet, and e-learning (a program of internet high school curriculum targeted students staying at home), with the possibilities of awarding degrees and diplomas. Japan needs to deregulate educational fields in order to allow the provision of various educational opportunities including educational programs of NPOs and other corporations addressing social projects, enabling the acquisition of regular diploma without attending schools.

7. Businesses' creative collaboration with NPOs, and the building of new business models through social business development

In terms of corporations producing socially-valued business results

through the collaboration ^(*)^(**) with project type NPOs, social entrepreneurs and corporations with new ideas can become the driving force for social reforms. Such collaboration model will become important shared assets for the business sector, and provide necessary framework for creating new values. Businesses must actively challenge for building these revolutionary business models.

^(*)An NPO entity, E-elder, created an institution to secure the contribution of unwanted personal computers from IBM and other various companies, as well as the funds to recycle them, with some of recycling works consigned to a handicapped institution, “Yume.com,” and offered recycled personal computers to non-profit organizations.

(Yume.com received from IBM the technologies to confirm PC operability, clean-up exterior cases, and erase memories, and has been performing the works such as loading OS provided by Microsoft, affixing the label with the names of cooperating companies, and sending out PCs after packing. The works raised the income of handicapped workers from 5000 yen/month to 40,000/month, while offering a merit for used PC providers to enable the consigning of highly reliable memory erase works at lower costs.)

^(**) For example, NPO entity in Hokkaido “Green Fund” organized wind-power generation project by citizens' efforts, and raised necessary funds from citizens, while resorting to additional financial resources by the application of “Green Power Rates program.” Since the activities to raise capital s are banned for NPO entities, they used the above financial resources and contributions to establish the Hokkaido Wind -Power Corporation, and completed the construction and started the operation of a wind farm with power generation capacity of 990 KWh (for 900 houses) at Hamatonbetsu, Hokkaido. It is considered as a unique initiative, for which the key factor has been the cooperation of regional Hokkaido Electric Power Corporation directed toward their customers who offered contribution to the Hokkaido Gr een Fund.

8. Effective utilization of inter -company resources in the collaboration with NPOs

The collaboration program ^(*) partially aiming for the support of NPOs encourages the strengthening of NPOs ’ organizational foundation by actively providing and utilizing inter-company intellectual properties such as management control methods, accounting techniques, human resource management processes, and other various information.

^(*) Every year NEC implements contribution activities for the countries

and regions of their business locations in collaboration with NPOs. For these activities, NEC provides funds and equipment such as personal computers, jointly implement the project planning processes, management, and post-project assessment with NPOs, and support NPOs to acquire project management methods. In turn, NPOs develop higher management capability for their own organization and projects, while undertaking such supportive collaboration.

9. Education of NPO trainers at universities and the development of educational system

At the same time when interests on NPOs were raised in the Japanese society, its academic world started to debate on the promotion of human resource development for NPOs, with the establishment of Japan NPO Research Association in March 1999, which aimed to systematize academic researches on NPOs.

The biggest problems in this field today are the lack of educators to implement NPO and social entrepreneurship education, and the deficiency in relevant educational programs. Although there are efforts to build a mutual utilization system of educational resources with the development of inter-college networks, in order to develop and reinforce educational systems including educators and education programs, it will be necessary for the future to strengthen and cultivate such network-type educational system by the accumulated experiences of actual network operation, so that the sufficient organization of educators to train NPOs and social entrepreneurs will develop, and the education of NPOs and social entrepreneurs will be disseminated. For this, Japan must introduce a system that allows the participation of as many universities and research institutions as possible to such network. As a part of such efforts, it will be desirable to introduce new curriculum, invite educators and researchers in NPOs and social entrepreneurship from American and European universities, and improve the use of internet-lecture systems.

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