Breaking New Ground for NGO Advocacy in Japan

Despite the shallow roots of NGO advocacy in Japan, an advocacy campaign pulled together on a few months’ notice catapulted the cause of global poverty into the national spotlight in the summer of 2005. Hottokenai Sekai no Mazushisa, which loosely translates as “Don’t let it be—world poverty,” was launched in May 2005 by a handful of nonprofit veterans as Japan’s national campaign for the Global Call to Action Against Poverty (GCAP), bringing together a diverse coalition of NGOs, student groups, volunteer organizations, and socially minded for-profit companies.

The campaign set out to coordinate a series of awareness-raising activities to highlight the plight of the world’s poor, and to the amazement of the organizers, their sale of white plastic wristbands, or “white bands,” to symbolize the need to end poverty struck a deep chord with the nation’s youth. Nearly 5 million white bands were sold for approximately US$2.50 each, and the organizers were suddenly faced with the dilemma of how to handle their extraordinary success while also being forced to cope with public misconceptions about the nature of their advocacy work.

Katsuji Imata and Kaori Kuroda, who helped launch and run Hottokenai, sat down for an interview to discuss what their experiences tell about the evolving role of NGO advocacy in Japan, the impact of their groundbreaking initiative, and how Japan’s nonprofit sector is finding opportunities to have a greater voice on global issues.

How did the Hottokenai campaign start in Japan?

Katsuji Imata: In September 2004, there was an international meeting in Johannesburg to start to set out a strategy for GCAP, and it was decided to feature white bands and operate with a loose coalition of national campaigns instead of a close-knit global campaign. Things did not start to take off immediately in Japan, but in April 2005, we pulled together a steering committee made up of NGO members. It formed a partnership with businesses that had come together under the banner of the Whiteband Project, which was headed by a public relations firm. We started to plan out our activities and, in June, CSO Network Japan, a Japanese nonprofit organization that Kaori and I founded, became the official secretariat for Hottokenai.

Fundraising for new nonprofit initiatives is notoriously difficult in Japan. How did you manage to get this off the ground?

Kaori Kuroda: In April or May 2005, Oxfam GB offered us funding out of their proceeds from the sale of the white bands in the United Kingdom. I am sure they were thinking that as a rich country Japan should really have its own funding, but at the same time, they were aware there is a funding problem in Japan. They wanted to do something in Japan and were aware of its importance as a G8 member, so they eventually decided to give us almost ¥20 million (US$167,000). We also applied to Oxfam Novib in the Netherlands for one of their grants, which primarily aim to strengthen GCAP campaigns in the South. Although Japan is an exception, we got nearly ¥10 million (US$83,500).

Actually, before their funding came in, a small group of us got together and discussed the idea of each group individually contributing a small amount so that we could operate some of our activities. We eventually did not do this, but this was our only other option. We really could not go to any foundation and there (continued on p. 6)
Despite Japanese companies’ return to profitability, their charitable giving has remained stagnant according to an annual survey by Japan’s leading business organization, Nippon Keidanren (Japan Business Federation). Since dropping by roughly one-third following the burst of Japan’s economic bubble, corporations’ charitable spending has only showed marginal increases in recent years.

The more than 400 companies responding to the Keidanren survey reported spending slightly under US$3 million (¥354 million) on average in the 2005 fiscal year for “social contributions,” which encompass cash donations, in-kind contributions, and the expenses of operating volunteer and philanthropic programs. Cash and in-kind donations accounted for roughly two-thirds of these expenditures, or US$2.1 million (¥253 million) per company. The study, which was released in December 2006, is considered the most authoritative survey of corporate giving in Japan, and its respondents are typically the largest and most influential companies in Japan.

This falls far short of the level of corporate philanthropy in the United States, for example, where the tax system and business practices are significantly different. A similar survey of 209 leading US companies by the Conference Board indicates that their domestic corporate giving in the United States was roughly 18 times the level of Japanese companies, with the average company making US$37.3 million in direct and in-kind contributions in 2005.

It is even more telling to look at the level of giving in relation to business trends in Japan, and these clearly indicate that corporate giving has failed to keep pace with the economic upturn. In 2005, expenditures on social contributions slipped to 1.4 percent of corporate profits, the lowest ratio recorded since the survey began in 1991.

Experts offer various explanations for the stagnation in direct corporate giving to nonprofits. Some NGO leaders have begun to worry that the growing popularity of the concept of corporate social responsibility is encouraging companies to redirect their resources to internal initiatives. There is, indeed, anecdotal evidence that some companies are expending more of their social contribution budgets on employee volunteer programs or placing greater burdens on nonprofit managers by making their contributions contingent on organizations accepting and training corporate volunteers. However, the survey findings suggest that, at least for the time being, companies have not significantly changed their budget allocations, and spending on internal initiatives has remained steady at slightly more than 30 percent of total social contributions for the last five years.

A more immediate explanation of the depressed level of corporate giving is the overhang from the sustained economic slump of the 1990s and its impact on corporate culture. When faced with contribution requests, mid-level executives often respond that their company has only been able to return to profitability by cutting its budget for non-core activities such as social contributions. The findings of the Keidanren survey indicate that a high level of risk aversion persists at Japanese companies regarding charitable contributions, and it is telling that the likelihood of being able to defend corporate giving in internal corporate discussions is given remarkably high priority in funding decisions. When queried about their priorities in supporting nonprofit organizations, companies cited the most important factor as being the “transparency of the recipient’s operations” (66.7 percent), followed by the “track record of their activities” (50.8 percent) and their “fit with the corporation’s basic philosophy and focus” (47.2 percent).

In contrast, the capabilities of the recipient organizations were given much lower priority, with “capacity to plan activities” in sixth place (11.6 percent), followed by the recipient’s “level
Before World War II, corporate philanthropy in Japan centered around the personal initiatives of top business leaders, but it became more institutionalized in the postwar era, evolving through three distinct stages. In the 1960s and the 1970s, giving was dominated by Keidanren, but the “Keidanren era” gave way to the “era of corporate foundations” in the 1980s and 1990s, and this has in turn given way to what can be termed the “era of corporate social responsibility (CSR).”

Prior to the 1980s, giving by Japan’s largest companies typically involved a highly centralized process. Leading executives, who would gather regularly under the aegis of Keidanren, assigned giving quotas for various social initiatives, directing the largest companies to contribute a set percentage of a fundraising goal, second-tier companies to donate a lower percentage, and so on through the ranks of Keidanren member companies.

Although Keidanren has continued to play a central role in promoting corporate philanthropy, the “Keidanren system” (Keidanren hoshiki) gradually disappeared in the 1980s as companies increasingly established corporate foundations to handle their charitable work. However, corporate foundations have been playing a less dynamic role recently, and in 2005, the percentage of companies operating corporate foundations hit its lowest point since the start of the Keidanren survey 15 years earlier.

Over the past several years, the focus on corporate foundations has been replaced by an emphasis more broadly on CSR. The Japanese business community pronounced 2003 as the start of a “new era of CSR” and business leaders are increasingly speaking about the need to make societal contributions through employee volunteerism and corporate-NGO partnerships.

The Keidanren survey found that in many cases there has been a heightened degree of institutionalization of CSR within corporate governance structures. Over 64 percent of the companies surveyed had created a special office or assigned a particular staff person to oversee CSR activities. Nearly 30 percent of the respondents had introduced a system for encouraging employee volunteerism between 2003 and 2005, and 66 percent now offer some form of support for employee volunteerism as compared with just 35 percent in 1993. Meanwhile, it has become commonplace today for Japanese companies to have developed and articulated CSR policies on their websites—a significant change from just five years ago.

Note: Direct corporate giving consists of cash and in-kind contributions to nonprofits. Registered nonprofits include public interest corporations (koeki hojin), NPOs (NPO hojin), and mutual benefit corporations (chukan hojin).
Japan’s Nonprofits Prepare for a New Legal System

Nonprofit leaders in Japan are bracing for the introduction of a new legal framework that promises to reshape the nonprofit sector. Under this framework, which takes force in December 2008, the status of all public interest corporations (koeki hojin) will be revoked and they will be forced to re-register as new entities.

A New Legal Framework

Three new laws to reform the current public interest corporation system passed the Diet on June 2, 2006, amending the much-debated 1896 Civil Code that provides its legal basis. The category of public interest corporations covers roughly 25,000 of Japan’s largest and most established nonprofits, including organizations such as Amnesty International Japan, the Japan Sumo Association, and the Toyota Foundation. (Ed. The Japan Center for International Exchange is also a public interest corporation.)

Under the new legal system, starting in December 2008 nonprofit organizations will no longer need to operate on the basis of authorization from the government ministry or agency with jurisdiction over their field of activities. Instead, the current authorization system will be replaced by a system whereby nonprofits seeking incorporation simply register with the Prime Minister’s Cabinet Office (or their local prefectural government if their activities take place solely within one prefecture). Upon registering, organizations will have status as “general incorporated associations” (ippan shadan hojin) or “general incorporated foundations” (ippan zaidan hojin).

In addition to existing nonprofits, any organization, regardless of whether it has a charitable purpose, will be allowed to file for this legal designation as long as it can claim not to operate in the pursuit of profit. This means that this category will likely end up including organizations with three general purposes: 1) organizations that operate in the general public interest; 2) ones that benefit a specified class of people, such as alumni organizations and professional associations; and 3) organizations that benefit private entities, potentially including ones controlled by companies or wealthy individuals and used like trusts to safeguard and transfer assets.

The next step for nonprofits that wish to obtain preferential treatment, including tax benefits that will be determined in the next few years, will be to seek authorization from “competent authorities” confirming that they serve the public interest. If they receive this authorization, they will be recognized as “public interest incorporated associations” (koeki shadan hojin) or “public interest incorporated foundations” (koeki zaidan hojin) and become eligible to receive tax-deductible contributions from corporations and individuals just as some of the current public interest corporations already do. (Fewer than 1,000 of Japan’s 25,000 public interest corporations have succeeded in obtaining the special designation that allows them to accept tax-deductible contributions.)

Determining the Public Interest

One question hanging over the nonprofit sector concerns the nature of the “competent authority” that will authorize public interest status, and this boils down to the issue of how much control government bureaucrats will ultimately have in deciding what the public good is and which organizations are allowed to promote it. In 2004, a private sector advisory council convened by the minister of administrative reform recommended the creation

<table>
<thead>
<tr>
<th>Legal Status</th>
<th>Description</th>
<th>Impact of Reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Interest Corporations (koeki hojin)</td>
<td>Roughly 25,000 of Japan’s largest and most established nonprofits; incorporation requires a minimum endowment of ¥300 million yen (US$2.7 million)</td>
<td>Must reapply for new status or lose tax benefits and endowment</td>
</tr>
<tr>
<td>NPOs, i.e., ‘Specified Nonprofit Corporations’ (tokutei hieri hojin)</td>
<td>Approximately 31,000 new, typically small-scale organizations incorporated under the 1998 NPO Law</td>
<td>No immediate impact</td>
</tr>
<tr>
<td>Mutual Benefit Corporations (chukan hojin)</td>
<td>Includes 2,600 social clubs, alumni organizations, etc.</td>
<td>Must reapply for new status along with public interest corporations</td>
</tr>
<tr>
<td>Educational Corporations (gakkou hojin), Medical Corporations (iryo hojin), Social Welfare Corporations (shakai fukushi hojin), Religious Corporations (shukyo hojin)</td>
<td>Includes 200,000+ private colleges and schools; hospitals; nursing homes; temples, shrines, and other religious organizations, etc.</td>
<td>No immediate impact</td>
</tr>
</tbody>
</table>
of a new, independent entity to play this role, but the law eventually submitted by the government instead mandated the creation of a Public Interest Corporation Commission (koeki nintei tou inkai) under the jurisdiction of the Cabinet Office to serve as the competent authority.

In April 2007, the Cabinet Office established this commission, which is ostensibly modeled on the United Kingdom’s Charity Commission. Seven members were appointed to serve on it, mostly on a part-time basis, and they are experts in diverse fields: law, accounting, business, health and welfare, arts and culture, and the nonprofit sector. Since its inception in April, the commission has been meeting weekly to discuss the various aspects of the new legal system, focusing on how the regulations should be created consistent with the new law, what the requirements should be for “public interest” status, and how the authorization process will work.

The members of the commission have been carefully selected and include professionals from the business world, academia, and the nonprofit sector, but the secretariat that supports the commission is made up of 30 bureaucrats from different government ministries and agencies and their numbers will eventually rise to 70. Because the secretariat plays a critical role in directing the activities of the commission, compiling and translating the various opinions of the commission members into policy, and, most importantly, reporting to the government, the way that the secretariat is structured troubles some civil society experts.

The Transition and Its Impact

During the five-year transition period, the application procedure will differ depending on whether the organization is currently a public interest corporation or applying for nonprofit status for the first time. Once the new legal system is introduced in December 2008, all current public interest corporations will be categorized temporarily as special civil code corporations (tokurei minpo hojin).

They will then have until 2013 to receive authorization under the new system as either “public interest incorporated associations” or “public interest incorporated foundations,” skipping the process of registering first as “general incorporated associations” or “general incorporated foundations.” They can do this in their current form or after a merger with a similar organization.

A second, less appealing option will be to forego preferential tax treatment by simply registering as general incorporated associations or foundations; however, they will then be required to pay out their endowments to other public interest corporations that manage to receive authorization. And organizations whose applications are rejected or that fail to apply will be forced to dissolve and terminate their operations at the end of the transition period.

There are both skeptics and optimists among the nonprofit experts and practitioners following these reforms. For example, while lauding the intent of the reforms, the Japan Association of Charitable Organizations, the main organization representing public interest corporations, has criticized the idea of lumping charitable and non charitable organizations together as “general incorporated associations” due to fears that this will eventually undermine the credibility of the nonprofit sector.

Meanwhile, public interest corporations that automatically received tax privileges upon incorporation are now worried about how high the new threshold will be for authorization as an organization serving the public interest and thus for exemption from corporate income taxes and other special tax treatment. Many also worry about the administrative burden of re-registering and restructuring their boards in order to meet potential new requirements as well as the additional work posed by heightened requirements for governance and information disclosure.

It does not help that the debate over the pending reform of the nonprofit tax system will not be concluded before the fiscal year starting in April 2008. In this fluid situation, it is obvious that the transition will be difficult for some nonprofit organizations. Still, it is hard to assess whether these developments will actually be a net positive for the nonprofit sector because the full picture of nonprofit sector reform is not yet clear.
(New Ground: from page 1)

were no possible sources of funds in Japan for advocacy activities.

How did you try to raise awareness about fighting poverty?

Imata: The money from Oxfam GB was earmarked for a publicity campaign, so we spent half of their funds for newspaper ads, which are very expensive in Japan. The first ad came out in late June, announcing the sale of the white bands and that the G8 Gleneagles Summit was coming up.

Kuroda: After the newspaper ad, our “clicking film” was launched and aired. This short film featured Japanese celebrities and athletes snapping their fingers every three seconds, the time it takes for one more child to die from extreme poverty. This was aired on news shows and morning shows, and it attracted a great deal of attention. Even the operators of digital billboards at major intersections in Tokyo began to show it.

Also, “White Band Days” were held around the world and we helped organize activities around Japan. The first took place in July to coincide with the Gleneagles Summit, and the second White Band Day was held before the UN World Summit on September 10th, when the Tokyo Tower was wrapped in a white band of light. Then, we had a final 10 days of events around the country in December before the WTO ministerial meeting in Hong Kong.

Imata: This was being done as we worked on the policy side to focus attention on what Japan could do to advance the MDGs [Millennium Development Goals]. We asked what each political party would do to help end world poverty and then tried to run a nationwide advertisement in September right before the elections, but the newspapers would not carry it because there was a fear that this would violate election campaign regulations.

Were you surprised at how quickly things took off?

Imata: Nobody thought this would become big. The initial idea was to manufacture 300,000 bands, and if they could be sold it would be a success. However they were all sold out within two to three weeks.

“Nobody thought this would become big.”

Kuroda: We really benefited from the publicity that came out of the Live-8 concerts organized by Bono and Bob Geldolf. And key stores like Tower Records agreed to sell the bands. The problem was that because the initial batch was so small, they sold out, and then people wanted them even more; they became very desirable. That wasn’t our plan, but that worked out to our benefit.

IMATA: In late August, criticism of the campaign’s use of sales proceeds started on the Internet and began spreading in the media. From the beginning, we never said that the money would be used for direct aid—to buy food or milk for developing countries—and we had always intended this to be an advocacy campaign.

Kuroda: Part of the problem is that advocacy campaigns are not well understood in Japan. People wonder if we are just engaged in politics, and they think that is dubious. That was one version. And the second version was that because of the involvement of for-profit firms, people thought this was a way for somebody to make money. Highlighting the business involvement raised questions about who profited, and highlighting the NGO side of the campaign raised the question of the campaign being too political, so it was a no-win situation. In the end, on November 8, 2005, we held a press conference where we explained who we were and what we aimed to do in our campaign. We put out detailed financial reports and announced that we would donate US$250,000 of the proceeds to the Global Fund to Fight AIDS, Tuberculosis and Malaria. We tried to emphasize the message that civil society needs to be involved in the issue of world poverty.

Why were there so many misunderstandings about your advocacy work?

Imata: In the United States, people have an easier time understanding the difference between politics and advocacy work, but in Japan it’s still seen as mixed. People have a feeling that if you even touch politics, it is not nonprofit work. But I feel that the main reason for misunderstandings was the way we forged
partnerships with for-profit firms. Coupled with the fact that the proceeds were not going for direct aid, many people thought that somebody must be making a profit under the cloak of a charitable image and a slick message.

Kuroda: Many nonprofit organizations don’t want to be involved in any work that could be seen as political; instead, they want to just directly provide services. This has something to do with the mindset of the Japanese people—that NGOs should not get involved in the government’s area. So it was a mixture of ignorance about advocacy and a low tolerance for NGO involvement in political activities.

Imata: People wanted to put a label on us. Some said that we are leftist radicals, and some leftists said we are too close to the establishment because we worked with corporations. But there were a number of people who were younger, in their twenties, who did not have this kind of allergy—they wanted to act immediately. They said, “Let’s say something to the prime minister. Let’s have an event.” That kind of political activism can be invigorated, and they became the core supporters of the white band campaign. Maybe those who have worked with NGOs before had a harder time relating to us because they thought that NGOs should act in a certain way. But these young people did not have any preconceptions; they just wanted to be active. That was one of the most refreshing and enlightening things that happened.

How has the government responded to this sort of advocacy coming from civil society?

Imata: Although there has been a regular system to encourage dialogue between the government and NGOs, there is still distance between them. The mutual trust level is still not very high. But I think this is going to change. First, there is pressure from leading politicians who have been pushing government bureaucrats to work more with NGOs. So, in the last few years, one of the strategies of NGOs has been not to go directly to bureaucrats but to go through politicians and thus have an impact. But Hottokenai started to go to the other end, which is the public, the people.

Is there sufficient capacity in Japan’s nonprofit sector to conduct effective advocacy?

Kuroda: We do not have many organizations that are independent and can do policy work in Japan. There are a few NGO coalitions that can help produce policy work but they are not very strong or effective. Another disadvantage Japan has compared with the United States or the United Kingdom is the number of people at NGOs whose job is to do advocacy full time, who, for example, could be seconded to a campaign like ours. Because there are very few in Japan who really do this, the NGO staff have to do this on top of everything else.

Imata: Even though millions of people bought the white bands, we just didn’t have a core group of people who could organize advocacy activities. We got many requests for speakers for different events, but we couldn’t come up with enough speakers to send out, so this limited our capacity to do outreach.

To respond to these institutional constraints, Hottokenai launched the “Advocacy Start-Up Initiative” with some of the white band proceeds, and this has made two rounds of grants totaling nearly US$150,000 to support new advocacy in Japan related to the MDGs. What was the rationale for this initiative?

Imata: In 2006, we had two rounds in the Advocacy Start-Up Initiative. The idea was to support NGO advocacy efforts because that is one area where there is little funding in the Japanese context. There is naturally no funding available from the government. Will funding come from individual donors? Our experience says probably not because they would rather see their money go directly to developing countries. Do we have private foundations willing to support this? No, there are none in the Japanese context willing to start this. This is one of the reasons why advocacy organizations have historically struggled in Japan. They don’t have money, and the materials they put out may reflect their lack of expertise. Although their focus may be right, the supporting documents they put out are often not sufficient. Because of that, advocacy NGOs have not really built up a sufficient amount of trust so they can survive financially and continue their work. We need to do something creative to deal with this, and this initiative is one small effort.

Where does Hottokenai go from here?

Kuroda: In 2005, we operated Hottokenai as a coalition, but now we have incorporated as a nonprofit organization in order to have better outreach and so that we can be more transparent and accountable.

Imata: We are especially focusing on the 2008 G8 Summit, which will be held in Japan. Hottokenai is now a part of broad (continued on p. 8)
coalition of NGOs that is called the 2008 Japan G8 Summit NGO Forum. What was done in 2005 by Hottokenai can be used as a test case in terms of NGOs building a broad-based campaign, and 2008 is going to be the second trial for the Japanese NGO community. The forum was launched in January 2007 with more than 70 NGOs working on poverty and development, peace and human rights, and the environment. Its purpose is to encourage Japan and the other G8 member countries to strengthen their commitment to achieving the MDGs and to take up global poverty and environmental issues as key agenda items for the summit. The coalition has since then expanded and now includes more than 100 organizations.

Kuroda: What we can achieve working with other NGOs in preparation for the summit will have broad implications. I believe this is part of the whole transformation of advocacy work in Japan. One of the primary lessons we learned is that advocacy is all about communication, and having the public behind you makes a difference. Traditionally, in Japanese NGOs, advocacy has meant issuing policy papers. Of course policy is important, but when it comes to politics, we have to show who is behind us, who supports us.

************

Katsuji Imata and Kaori Kuroda are codirectors and founders of CSO Network Japan, which functioned as the secretariat for Hottokenai Sekai no Mazushisa in 2005. Both have served as executive director of Hottokenai at different times—Mr. Imata from June 2005 to July 2006 and Ms. Kuroda from January to June 2007—and both are now board members. More information about Hottokenai is available at www.hottokenai.jp.

************

At the end of World War II, it was almost unthinkable that the United States and Japan—two bitter enemies with relatively few ties of kinship and culture—might build a strong and enduring relationship based on friendship and common interests. This remarkable transition was possible, however, in part due to the efforts of a handful of internationally minded foundations and philanthropists who set out to promote democracy in Japan, reconstruct the foundations of mutual understanding between the two countries, and encourage a continuing dialogue on the future of the relationship. JCIE’s recent study examines how they succeeded in nurturing the web of societal linkages that have been instrumental in helping sustain close bilateral relations for more than half a century.

************

Ordering information: Outside of Japan, the book may be ordered from the Brookings Institution Press (www.brookings.edu/press). In Japan, please order from Kinokuniya (bkimp@kinokuniya.co.jp) or JCIE (books2@jcie.or.jp).