

## **The Emergence of NPOs and the Implications for Local Governance**

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In Japan, the public sector has been the main actor in governance for many decades, and at the local level in particular, local governments have been dominant in providing public services. Although there are some private entities such as electricity suppliers and neighborhood associations that provide public services, they are supervised and supported by the public sector because it is responsible for the quality and quantity of public services. There has, thus, been a strong tendency for the Japanese people to overly rely on the government when faced with problems.

However, as social circumstances have changed due to the rapid aging of the population, worsening environmental problems, the expansion of internationalization, the diversification of citizen demands, and the Great Hanshin-Awaji Earthquake in 1995, the number of people serving as volunteers has increased and nonprofit organizations (NPOs) have come to play an increasingly significant role in local governance. This chapter looks at the development and major characteristics of NPOs in Japan, their relationship with local governments in an era of decentralization, and how conflicts between NPOs and government might be resolved. To this end, consideration is given to the questions of how local governments can support NPOs, the areas for which local governments should take responsibility, and how NPOs can be held accountable in their partnerships with local governments.

### **THE DEVELOPMENT OF NPOs**

#### **Government Corruption and the Need for Reform**

After the Meiji Restoration (1868), in its bid to catch up with the economic advances of Western countries, Japan introduced a centralized administrative system, which framework

remained after World War II. While by 1970 Japan had attained a position in the top echelon of international economic development largely due to its administrative system, once the bubble had burst in the 1990s, it was precisely this system that came under severe criticism. No longer did the citizens regard the bureaucracy as completely trustworthy, and a pall fell over the government due to corruption and the mismanagement of public policy, especially in the area of finance.

The belief that increased investment in public works would stimulate the economy, despite decreasing tax revenues, led the central and local governments to borrow funds, and the public debt came to exceed the nation's gross domestic product (GDP). This forced the government to recognize the need for administrative reform: a reassessment of the role of the public sector, a drastic power shift from the public to the private sector, and deregulation.

As a part of administrative reform, decentralization must be encouraged. For while in the 1940s and 1950s local governments certainly lacked the human and financial resources to shoulder greater responsibility, this is no longer the case. Since the enforcement of the 1995 Law for Promoting Decentralization and the 1999 Omnibus Law of Decentralization, the relationship between the central and local governments has been gradually changing.

### **Changes in Local Governance**

According to a national survey conducted by the Ministry of Health, Labour and Welfare in 2000, over one-sixth of Japan's population was aged 65 or over, while in some rural municipalities those in that age bracket represented more than 40 percent of the population.<sup>1</sup> This is due partly to increased life expectancy and partly to the decreased birth rate. The fast graying of society caused the central government to reform the pension scheme and introduce a special healthcare insurance system for the aged in 2000. Since welfare services for the aged are provided by municipalities and social welfare foundations, the growing number of elderly has meant that local and particularly municipal governments face an increasing social welfare burden. Pressure is already building to shift the emphasis from the uniform services provided to date by local governments, to more customized services, as are already being provided by

some NPOs.

With regard to environmental problems, local government policies have always been ahead of those of the central government. In the 1960s and 1970s, local governments' successive antipollution measures lead to enactment of the Basic Law for Environmental Pollution Control in 1967 and the setting up, in 1971, of the then Environment Agency (now called the Ministry of the Environment). With the recent and evolving concern about global environmental issues and the promotion of recycling, the cooperation of the populace—both victims and polluters—is vital, and it is in this regard that NPOs have been performing energetically in many places.

The provision of social services is also inextricably linked to Japan's policy concerning foreign residents, whose numbers have doubled over the past 25 years. While the central government controls immigration, it is up to local governments to see that foreign residents receive social services. Since local governments often find themselves strapped for resources, NPOs have often stepped into the breach to provide the requisite services for these residents. Matters concerning undocumented migrants pose a raft of completely different problems, and these individuals often receive support from NPOs rather than local government authorities.

### **Diversification of Citizens' Demands**

With economic growth, work-related stress levels have risen and so, in turn, people's expectations and social demands have diversified. According to a 1999 survey conducted by the then Prime Minister's Office, the number of respondents who indicated that they value mental rather than material enrichment had risen to 57.0 percent from 36.7 percent in 1974, while the number of those who indicated that they value leisure and hobbies rather than their occupations has risen to 32.3 percent from 13.8 percent in 1974. Many people seem to have come to believe that one's job is not the most important thing in life, which has led to an increase in the number of individuals electing to serve as volunteers or participate in NPOs.

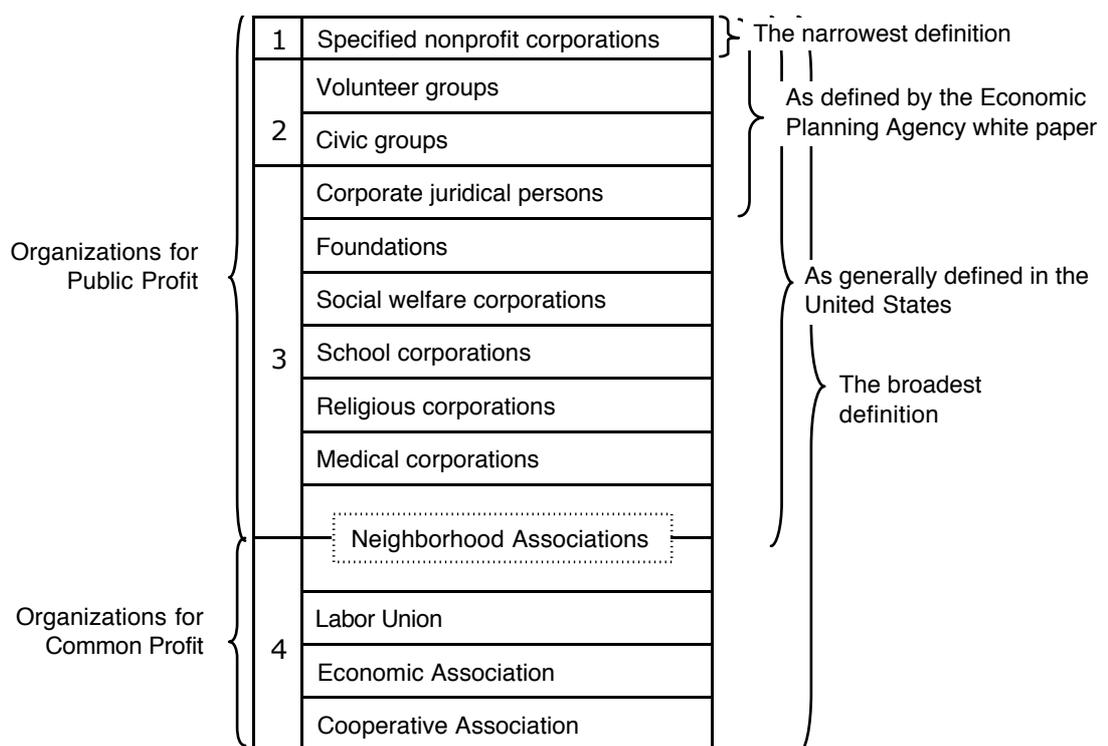
At the same time, people's expectations of NPOs are changing, as they recognize that these groups are well placed to manage the time constraints of volunteers so as to provide

continuous service, as well as sources of accumulated expertise and special skills. As government corruption has caused many to distrust the public sector and changing social conditions have influenced local governance, many people have come to see volunteer work and NPOs as avenues to help resolve regional problems.

### The Place of NPOs in Japan

In Japan, NPOs are variously defined. In some surveys neighborhood associations are included and in others not. According to the Economic Planning Agency, there are four categories (figure 1) of NPOs (Economic Planning Agency 2000b, 130): specified nonprofit corporations (none existed until 1998; referred to in the agency’s white paper), which comprise the narrowest definition of the term; volunteer and civic groups (also referred to in the agency’s white paper); corporate juridical persons, foundations, and social welfare, school, religious, and medical corporations that include some for-profit organizations; and labor unions as well as economic and cooperative associations. The agency acknowledges that neighborhood associations, which are location-specific, are sometimes included as a category of NPO.

Figure 1. Organizations Defined as Nonprofit Organizations\*



Source: Economic Planning Agency (2000b).

\*Neighborhood associations are included as nonprofit organizations as an exception.

According to the Economic Planning Agency's 1996 survey of civic groups<sup>2</sup>—Japan's first survey of NPOs—there were 85,786 such organizations (Economic Planning Agency 1997, 1–14), of which 37 percent were engaged mainly in social services; 17 percent in community activities; 17 percent in education, culture, and sports activities; 10 percent in environmental conservation; 5 percent in healthcare- and medical care-related services; and 5 percent in international exchanges. The survey also shows that the history of NPOs in Japan is short, 26 percent having started their activities before 1976, 44 percent after 1985, and 24 percent between 1976 and 1985. In addition, about two-thirds had a membership system, of which 44 percent had fewer than 50 members, while one-third of NPOs had annual expenses of less than ¥100,000<sup>3</sup> and, on average, one-third of their revenue was derived from membership fees and one-third from subsidies, 13 percent from business, with donations accounting for only 5 percent. It was also revealed that 69 percent of NPOs had administrative staff, of which 82 percent had part-time staff, 31 percent full-time staff, and 23 percent paid staff. Of the staff, 40 percent were homemakers, 28 percent civil servants or public entity employees, and 25 percent retirees. From these figures it can be seen that Japanese NPOs are relatively vulnerable to the effects of financial and structural change.

This survey also investigated the demands of NPOs, and reveals that more than 80 percent required government support, over 75 percent public-sector financial aid, some 49 percent free use of office space, 48 percent facilities and equipment, and 45 percent relevant training.

According to a 1997 Economic Planning Agency survey (Economic Planning Agency 1998, 5–26), the total economic value of services provided by all types of NPOs in 1995 was ¥15 trillion, or 3.1 percent of GDP.<sup>4</sup> In 1998, the figure had risen to ¥18 trillion, or 3.6 percent of GDP (Economic Planning Agency 2000b, 131). Medical care constituted the largest share (46 percent) of NPO outlays, followed by education (28 percent), and social services (13 percent). Most of the organizations included in these three types of NPO represent the older groups, which comprise hospitals, social welfare organizations, and private schools; their outlays were somewhat higher than those of newer NPOs—civic groups—the outlays of which totaled a modest ¥30 billion in 1998.

## **The Rise of Corporate NPOs**

Until the enactment of the December 1998 Law to Promote Specified Nonprofit Activities, or NPO Law, there had been only two ways to incorporate organizations, namely, by applying the Civil Code (to create corporate juridical persons and foundations), or by applying such individual laws as the Private School Law (to create school corporations) or the Social Welfare Law (to create social welfare corporations). While being incorporated makes it easier for organizations to gain social trust or raise funds, the legal procedure under these laws is complex and the legal treatment of nonprofit organizations in Japan is highly restrictive and rigid (Amemiya 1998, 59). Consequently, small organizations often remained unincorporated despite inconveniences such as having to sign legal documents or open bank accounts using the name of an individual member rather than the name of the organization.

The NPO Law aimed to contribute to the public interest by promoting the sound development of nonprofit activities, which it divided into 12 groups (Cabinet Office 2001b):

- Health, social welfare
- Social education
- Community development
- Culture, arts, and sports
- Environmental protection
- Disaster-relief activities
- Community safety
- Human rights and international peace
- International cooperation
- The creation of a gender-equal society
- The sound nurturing of youth
- Liaising, advising, and support activities related to organizations performing any of the aforementioned activities.

According to this law, the term NPO refers to an organization that is incorporated in

accordance with the provisions of this law (Cabinet Office 2001b) and can further be defined as one that:

- 1) Does not seek to make a profit, while neither
  - a) attaching unreasonable importance to gaining or losing membership status, nor
  - b) having more than one-third of its officers receive remuneration.
- 2) Does not have as its main purpose:
  - a) the spreading of religious doctrine, performing of religious services or rituals, or preaching;
  - b) the promotion, support, or opposition of political principles; or
  - c) the recommendation, support, or opposition of a candidate for a certain public office (or a person who aims to be a candidate for said office), a public official, or a political party.

In addition, the NPO Law requires that NPOs should have ten or more members, and may engage in profit-making projects provided that the profits are used for nonprofit activities and do not interfere with nonprofit activities. Further, it stipulates that prefectural governors shall serve as the competent authorities (those who grant incorporated status) for those NPOs that establish an office or offices in prefectures, and the national government shall commission the prefectures to perform the relevant duties concerning granting incorporated status. In the event that NPOs set up offices in two or more prefectures, it is required by law that the Cabinet Office (then Minister of the Economic Planning Agency) shall serve as their competent authority. It is also required by the NPO Law that the legal requirements concerning NPOs shall be reviewed within three years of the day the law went into effect, and that the measures deemed necessary shall be formulated on the basis of the results of the review.

Some 67 percent of Japan's incorporated NPOs operate in the field of healthcare and social welfare, 33 percent in community development, 32 percent in the nurturing of youth, and 30 percent in social education (Economic Planning Agency 2000a, 21).<sup>5</sup> As of March 2001, the number of incorporated NPOs had risen to 3,295 (Cabinet Office 2001a, 1–2), about 40 percent of which are located in densely populated areas such as Tokyo (818), Osaka

(244), and Kanagawa prefecture (236), while about two-thirds of those NPOs with offices in two or more prefectures have their main offices in Tokyo, indicating that NPOs are more active in urban than rural areas.

According to a 1999 Economic Planning Agency (2000a, 4–5) survey, three-quarters of the incorporated NPOs had already been involved in their present activities before incorporation, although half were established after the Great Hanshin-Awaji Earthquake in 1995. Of the total, about 40 percent had fewer than 50 members, 37 percent had annual revenues of more than ¥10 million, and two-fifths had no donation revenue. Meanwhile, 68 percent had full-time staff, but only 2 percent had 10 or more members or staff. About 60 percent had some links with the public sector, from which 25 percent received subsidies, 20 percent trustees, and 18 percent office space. The surveys indicate that, in general, while incorporated NPOs were somewhat larger than their unincorporated counterparts, there was otherwise little difference between the two categories.

Besides the surveys conducted by the government, there are also some carried out by NPOs. According to a 2000 survey of incorporated NPOs conducted by an individual NPO (C's 2000a, 1–5), about 60 percent were dissatisfied with the NPO Law, mainly because it lacks tax incentives: Donations to NPOs cannot be deducted for taxation purposes. Since donations help support NPO activities, a review of the NPO Law requires that donations are to be tax deductible commencing in October 2001.

The NPO-conducted survey also reveals that about half the NPOs surveyed recognized that competition exists between the government and NPOs, two-thirds of the NPOs believing that they can provide services better suited to user needs, 46 percent that they can provide more flexible service, and 43 percent that their services have greater citizen appeal. In contrast, 44 percent of the polled NPOs admitted that their services were not recognized as being sufficiently reliable, more than three-fourths stressed the need for evaluation by those on the receiving end of their services, 57 percent stressed the need for evaluation by supporters or NPO members, and less than 40 percent stressed the need for evaluation by outsiders or specialists.

## JAPANESE AND U.S. NPOs, VOLUNTEERING COMPARED

The 2000 white paper put out by the Economic Planning Agency on the national lifestyle is the first to address the subject of volunteering, and compares some of the relevant activities conducted in Japan and other countries, especially the United States.

The number of volunteers is increasing steadily and, by 1996 one out of four Japanese had done volunteer work. However, the figure is less than half that for the United States across all age brackets, and is particularly low for the younger generation. There are many differences between the two countries in terms of incentives and reasons for which people become involved in volunteer work (Economic Planning Agency 2000b, 54–55). According to the white paper (table 1), 72.7 percent of Japanese and 68.0 percent of U.S. nationals indicated in surveys that they had become involved in volunteering to “insure the continuation of activities or institutions I or my family benefit from”; the phrase “feel that those who have more should help those with less” was chosen as most appropriate by 63.2 percent of the Japanese and 83.7 percent of the U.S. respondents; “gain a sense of personal satisfaction” by 50.4 percent of the Japanese and 81.6 percent of the U.S. respondents; “as a personal legacy or in memory of a family member” by 37.2 percent of Japanese and 50.8 percent of U.S. respondents; and “serving as an example to others” by 33.9 percent of Japanese and 68.8 percent of U.S. respondents.

**Table 1.** Motivation for Giving and Volunteering in Japan and the United States

Motivating Factors	Japan (%)	United States (%)
Insure the continuation of activities or institutions me or my family benefit from	72.7	68.0
Feeling that those who have more should help those with less	63.2	83.7
Fulfilling a business or community obligation	53.1	58.5
Gaining a sense of personal satisfaction	50.4	81.6
Giving back to society some of the benefits it gave you	48.1	74.4
Being asked to contribute or volunteer by a personal friend of business associate	46.4	70.8
Donating as a personal legacy or in memory of a family member	37.2	50.8
Being encouraged by an employer	34.1	43.3
Serving as an example to others	33.9	68.8

Source: Economic Planning Agency (2000b).

In terms of donations per household, the funds given annually in the United States (the equivalent of ¥98,000) in 1998 were more than 30 times as large as donations in Japan (¥3,200) in 1999. In the United States, besides the donations that accounted for only 13 percent of NPOs' total resources, membership fees and charges for services accounted for 57 percent, and public-sector subsidies 30 percent. In Japan, donations accounted for 3 percent, membership fees and charges for services 52 percent, and public-sector subsidies 45 percent (Economic Planning Agency 2000b, 157).

From these results, it can be seen that the activities of acquaintances and a sense of obligation have often caused people to volunteer in Japan, whereas a desire for personal satisfaction was a relatively strong motivator in the United States, and few in Japan considered "serving as an example to others" as a reason to volunteer.

Based on the survey results mentioned above, NPOs in Japan can be described as follows: In 1998, 3.6 percent of GDP was derived from the country's 85,000 NPOs (the number as of 1996 and excluding corporate juridical persons and foundations), most of which were small and financially poor, and more than 80 percent of which thought they should receive public-sector support. Some 3,000 organizations had been newly incorporated by 1998. A 2000 survey of 1,034 incorporated NPOs revealed that about 60 percent were dissatisfied with the NPO Law.

## **LOCAL GOVERNMENT–NPO RELATIONS**

### **Bilateral Cooperation**

The fact that more than two-thirds of the public-sector expenditure is spent by local governments underlines the importance of this level of public administration. However, until enforcement of the Omnibus Law of Decentralization in April 2000, the central government controlled local affairs through the agency-delegated function (ADF) system, which had the effect of diluting responsibility in government and eroding local autonomy. Even before the

Decentralization Law, the central government had shifted its emphasis to the promotion of decentralization, recognizing that local affairs should be decided according to local conditions, and now expects local governments and NPOs to play key roles in local governance. In this context, three types of NPOs can be identified, namely, those that have no connection with local government, those that seek to foster good relations with local government, and those that, while not connected, keep a weather eye on local government activities (Shimin Katsudo 2000, 15–21).

Those NPOs that are trying to build good relations with local governments are taking four approaches. First, some either seek to provide directly those public services entrusted to them by local government authorities; second, much as do neighborhood associations, they support and provide community activities; third, they encourage citizen participation in local governance; and fourth, they play a coordinating role in those projects that involve local government, private-sector companies, and local citizens.

### **Local Government Support**

Since the 1990s, NPOs have been performing an ever-broader variety of activities. When local governments delegate functions and services to NPOs, they expect that the services provided will match more closely the needs of citizens than have previous government efforts, and even that new services will be provided which authorities have previously been unable to provide. However, since NPOs generally find themselves in financial straits, some are receiving local government support for their enterprises.

As of July 2000, 11 local governments have enacted bylaws enabling them to promote and support local NPOs (C's 2000b). While some of these bylaws deal only with the abstract, others (as is the case with the Tohoku area capital, Sendai city) mention setting up support centers, or (Osaka's Minoo city) state that, should the city outsource functions, NPOs should be considered possible contractors. The central Japan prefecture of Mie, however, has taken a different tack. Well known for its progressive style of administration, after much deliberation the prefecture decided against enacting an NPO-related bylaw, in the

belief that if NPOs are to be independent and voluntary enterprises, such a bylaw might be interpreted as interference. Instead, a declaration of partnership was issued.

As of July 2000, there were some 47 NPO support centers, 16 of which were managed by local governments, and 31 by NPOs themselves (C's 2000c, 1–5). These centers allow NPOs to use their facilities as office space and for meetings at no or very little cost. They provide NPOs with useful information, conduct training courses for prospective volunteers and NPO staff, provide management advice, and increasingly give monetary support, thereby allowing NPOs to gradually play an increasingly significant role in local governance.

### **BILATERAL PARTNERSHIPS**

In local governance, a crucial issue for local government has become partnership: not only with people and private-sector companies, but also with NPOs, in connection with which they need to step away from the support phase. Mie prefecture, for example, is second only to Tokyo in terms of the large number of NPOs per capita. Mie is the first local government to evaluate public administration, and more recently introduced a system, in cooperation with NPOs, whereby its administration would be assessed from the point of view of service recipients (Kogawa 1999, 19–31). Four measures are used: budget and planning, implementation, citizen-participation and openness, and contribution to civil society. To insure the optimum functioning of the new system—which considers people to be service recipients, providers, and evaluators—a new NPO, Evaluation Mie, was established to assess the prefecture's work from the citizens' stance, and NPOs are encouraged to participate in planning prefectural policy.

### **BILATERAL COMPETITION**

As local governments have increased their support for NPOs, their activities have certainly been revitalized but, on occasion, government activities have been in direct competition, or interfered, with NPO activities.

A case in point is that of a social welfare service begun in 1996 in Osaka city. Accordingly, city sanitation workers collected the garbage bags of the elderly and infirm that

had been left at their doors, rather than at local garbage collection points which they could not easily reach. This new service has been well received, especially by those living in high-rise housing.

The Osaka city workers union introduced the service in a bid to avert employee cutbacks, but found itself at loggerheads with NPOs, which claimed that they could also provide this kind of social service, and voiced concern that garbage collectors might even in the future see fit to provide other welfare services as if they were trained social caseworkers. Had Osaka first discussed which services local government should provide and which should be outsourced and to which organizations, acrimony could have been avoided and the service might not have been provided by the city's sanitation workers.

The NPO support centers established and managed by local governments are often examples of interference with NPO activities. Such publicly organized centers might be necessary in rural areas, where NPOs are not so active, but in urban areas where their activities are vital, local governments should avoid setting up new support centers, reconsider the role of the existing centers, and entrust their management to NPOs. Local governments should avoid interfering with the development of NPOs and, where support is given, set the terms and conditions, especially where monetary support is involved, to ensure that NPOs do not become dependent on the public sector.

## **NATIONAL GOVERNMENT–NPO RELATIONS**

### **Bilateral Competition**

It is not unknown for the central government to be perceived as obstructing the development of NPOs. In 1994, for example, the then-Ministry of Labor (which became the Ministry of Health, Labour and Welfare in 2000) established the Family Support Center Program to help parents who, for work-related reasons or other considerations, wish to have their children looked after at times when nurseries and schools are closed. The program mainly targets working women who find it hard to juggle work commitments and household chores. Municipalities are encouraged to set up family support centers where those who want to

leave their children (requesting members) and those who want to look after them (supporting members) can register. A problem arose, however, when the ministry would provide only local governments with subsidies to support the management of these centers (Jiji Tsushinsha 2000, 8–9), even though some NPOs are also managing similar centers.

Another instance of perceived NPO obstruction concerns a 2000 plan by the then-Ministry of Education, Science, Sports and Culture (in 2001 reorganized as the Ministry of Education, Culture, Sports, Science and Technology) to mandate each municipality to establish a regional sports club within ten years from 2001 to promote sports and increase the number of Japanese medallists in the Olympic Games (Mombusho Hoken Taiiku Shingikai 2000). One of the ministry's targets was to increase the number of adults who participate in sports at least once a week from 35 percent to 50 percent. Most sports activities had previously been supported by schools and private companies, but the ministry wished to encourage a more European approach, according to which citizens would be encouraged to join regional sports clubs, which the ministry recommended should have the status of corporations under the NPO Law.

This example is not unlike other cases in which foundations have been established by local governments at the behest of the central government, which regards them as quasi-governmental organizations (quangos) or a means of achieving a national blueprint. Not only do many citizens believe that it should not be necessary for every local government to establish a sports club, but also that the central government should allow local governments and residents to decide how such sports clubs are managed once local consent has been achieved concerning their establishment.

### **An NPO Perspective**

Many NPOs have been insisting that they be granted a tax-exempt status similar to that found in the United States. Although donations to NPOs were made tax deductible in October 2001, NPOs continue to complain: first, of the strict conditions that are to govern such gifts and, second, that the activities of NPOs are not tax exempt. It is possible that, were the two

complaints resolved, the financial situation of NPOs would improve; but as the U.S. case has shown, it is almost impossible to successfully manage NPOs relying only on donations, so the public sector will inevitably be called on, for some time yet, to supply some portion of the necessary resources.

Recently, transparency and accountability have become the buzz words applied by the public to all aspects of public administration, including the spending of taxes at the local level, and by local governments to evaluating public administration. NPOs, which have come to shoulder some responsibility for local governance, should bear this trend in mind when seeking to command the confidence and support of citizens.

Inevitably, there are those local government officials who view every NPO as opposing the public sector, and NPOs—particularly citizen ombudsmen—that observe and monitor the activities of local governments as a nuisance. But since these officials in many cases lack a proper understanding of NPOs, local governments would be wise to provide such officials with training in the intricacies of NPOs.

It should be borne in mind that citizen ombudsmen-type NPOs have emerged recently in response to the malfunctioning of local legislative assemblies, made up of directly elected councillors, that determine budgets, enact local legislation, and make political decisions. Had the functions of local assemblies been properly discharged, this kind of NPO might not have emerged. Through the system of public information disclosure implemented by many local governments, these NPOs have levied accusations concerning illegally spent public funds, particularly on unauthorized travel, and have helped compensate for the shortcomings of the existing system by pressuring offending parties to implement redress. Local governments might well be pleased.

Yet it could be argued that it would be better were NPOs not only to criticize local-government activities, but also to propose steps whereby public administration could be reformed and local think tanks strengthened. Constructive proposals would help change the attitude of local officials and lead citizens to recognize them as important stakeholders in local governance. At the same time, NPOs must be seen to be accountable and reliable by both government officials and the general populace. In particular, NPO activities supported by

local governments must be strictly evaluated, given that a portion of their resources is derived from the public sector. To this end, some NPOs have recently begun seeking ways of using outside institutions to evaluate their activities.<sup>6</sup>

## CONCLUSION

NPOs face a number of difficulties, including a fragile revenue structure, problems associated with increasing membership and recruiting staff, and the worries associated with finding office and activity space. Thus, while respecting their independence, local governments need to support NPOs by, for example, extending administrative help, providing the information necessary to allow links to be forged between citizens and NPOs, and giving intermediary support with other organizations.

Certainly local governments have experience with financial adversity. Due to the country's economic woes, their tax income has not increased as expected, although they have had to spend a huge portion for their public investments to boost their regional economies. Many local governments have thus had to issue bonds, promote administrative reform and decentralization, and try to better coordinate the functioning of local stakeholders, including NPOs. In the area of administrative reform, local governments should restrict their role as public service providers to avoid duplicating the services of NPOs, especially in the fields of healthcare, welfare, social education, and community development. It is also important that the role of local government as a service provider be decided, not by local governments alone, but by thorough debate involving local stakeholders, including NPOs.

While the role of local governments might best be restricted to the areas of safety-related functions (the police and fire fighting) and regulation (environmental protection and food sanitation), local governments would be well advised to develop good relations with NPOs, regarding them as partners rather than as administrative subcontractors or local quangos, with a view to cooperating and sharing responsibilities with them.

It is said that the late eighteenth and the nineteenth centuries were the age of the night-watch state, and the twentieth century that of the welfare state. The twenty-first century

might, therefore, be called the age of the citizen state, during which period NPOs assume greater responsibility for local governance, while gaining the understanding and appreciation of citizens who support them by becoming members and volunteering their time and skills. It is, indeed, citizens who foster NPOs, which must remember that accountability and transparency are the keys to good local governance.

## Notes

1. The ratio of residents aged 65 and over is highest in the town of Towa, Yamaguchi prefecture, where as of October 1, 1999, this age group accounted for more than 50 percent of the population.
2. In 1996, specified nonprofit corporations did not yet exist.
3. In fiscal 1995, 35 percent of NPOs had annual expenses totaling less than ¥100,000, 43 percent less than ¥1 million, 18 percent less than ¥10 million, and only 4 percent ¥10 million or more.
4. Another survey gives a higher figure of 4.5 percent of GDP (Yamauchi, Shimizu, and Wojciech 1999, 244).
5. Multiple responses.
6. Two examples are Project Evaluation System for Nonprofit Organizations, set up in 1999 by the Sasakawa Peace Foundation, and the Research Committee for Evaluation System, set up in 2000 by the NPO Training and Resource Center, both of which organizations are studying how NPO activities might best be evaluated.

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