The Challenges of Intermediary Organization in the Japanese Civil Society

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Abstract

During the mid-1990s in Japan, the discussion of the New Public Management (NPM) movement began to take shape, emerging as a new model from and an extension of the Old Public Administration (OPA) system that had functioned in Japan prior. Since that time, some public sector reforms have been adopted by the Japanese government based on certain NPM principles, primarily during the administrations of Prime Minister Hashimoto (January 1996-July 1998) and Prime Minister Koizumi (April 2001-September 2006). These reforms brought changes in the way Japan delivers public services in civil society; for example, the implementation of the designated administrator system stimulated the growth of independent sectors, especially nonprofit organizations (NPOs).

However, these reforms have not worked sufficiently until now because it seems that the ideas inherent to the NPM model are difficult to adopt and implement: for example, an emphasis on output controls, the introduction of market and quasi-market mechanisms, and customer-oriented services, while serving the needs of a targeted few, do not address the needs of the society overall. The first reason is the great power of the Japanese bureaucracy. The bureaucracy represents the structure of OPA, and many Japanese consider that government is responsible for the providing essential public services; likewise, government has not regarded the citizens as service providers even up until now. Secondly, to consider the aspect of service, the methods of NPM have limitations in their ability to serve various needs and values which cannot be identified by market and quasi-market mechanisms. Finally, from a private aspect, the activities of NPOs do not work effectively in civil society because of their weak management ability and reliability, their poor relationship with government, and their own closed activities, which may be contrary to their intentions.
On the other hand, Japanese civil society has potential and possibility; for example, although there are some problems, the number of NPOs has increased in Japan over the last 10 years, and NPOs now play an active role in civil society. Furthermore, many NPOs and volunteers helped in the areas stricken by the Tohoku Earthquake (March 11, 2011), and many people donated to assist the victims and survivors of the tragedy. At present, these activities are individual therefore a catalyst to change the traditional mind set of Japanese citizens and governments about public service is needed in order to lead their activities for public value in the civil society. The function of the catalyst can be compared to that of an intermediary which has these: a bridging role of resources, technique and know-how; network and coordination; and value creation (sharing social task and creation of method of settling arguments).

There are new theories of New Public Service (NPS) and New Public Governance (NPG). The important elements of these theories are relationships, partnerships, networks, and collaboration. It seems that intermediaries will be key actors for these new movements.

This article contributes to the literature by discussing the theories of NPS and NPG, analyzing the framework of the intermediary, and suggesting the new social structures required to make the good relationships, partnerships, networks, and collaboration needed to create good value in civil society.

1. New movements of public governance

Over the last three decades, most processes of governance of civil society were reformed by the ideas, techniques, and methodologies postulated by NPM\textsuperscript{1} trend. This wave of government reforms had dominated the international scene. In recent years, there is an increasing concern about the impact of NPM reforms. New models have recently been proposed to challenge NPM and new paradigms for government activity, policy making and service delivery. New concepts such as NPS (Denhardt & Denhardt, 2000, 2007) and NPG (Osborne, 2006, 2010) are important implications for public administration. They are based on the idea that the relationship between the government and its citizens is not the same as business activity between a firm and its customer but partner to share the interest and responsibility.

NPS (New Public Service) is seen as an alternative to the dichotomy between OPA

\textsuperscript{1} “New Public Management has variously been defined as a vision, an ideology or (more prosaically) a bundle of particular management approaches and techniques (many of them borrowed from the private for-profit sector)” (Pollitt, 1994, p.1)
and NPM. In contrast with NPM, NPS recognizes that the business association which exists between a firm and its customers is fundamentally different from, and a poor descriptor of, the relationship between government and citizens. According to Denhardt and Denhardt, the framework of the NPS model place paramount importance on democracy, citizenship and service in the public interest. In their view, public administration must have at its core, the belief that democratic governance is dependent upon engaged and enlightened citizenship; consequently, the public interest supersedes the aggregation of individual self-interest. Denhardt and Denhardt offer new mechanisms with which public officials can fulfill their primary role, that is, serving and meeting the needs of their citizens, instead of trying to direct the course of society. From this perspective, the role of government is to bring people “to the table” and to serve citizens in a manner that recognizes the multiple and complex layers of responsibility, ethics, and accountability in a democratic system (Denhardt and Denhardt, 2000, 2007).

On the other hand, Osborne argues that NPM has actually been a transitory stage in the evolution from OPA to what he calls NPG (New Public Governance). He discusses that public administration and management (PAM) has gone through three dominant modes: a longer pre-eminent one of PA until the late 1970s/early 1980s: a second mode of NPM until the start of the 21st Century: and an emergent third one, NPG since then. The time of NPM has thus been a relatively brief and transitory one between the statist and bureaucratic OPA and the embryonic one of NPG. NPG is rooted firmly within organizational sociology and network theory and it acknowledges the increasingly fragmented and uncertain nature of public management in the 21st Century. It posits both a plural state where multiple interdependent actors contribute to the delivery of public services and a pluralist state, where multiple processes inform the public policy making system (Osborne, 2006, 2010).

The core elements of and the differences between OPA, NPM, NPS and NPG are pointed out on the following table below. OPA is focused on the political system which is based on hierarchy and bureaucracy. NPM emphasizes management of organizational resources, performance and value base is efficacy of competition and marketplace. On the other hand, the methods of NPM have limitations in their ability to serve various needs and values which cannot be identified by market and quasi-market mechanisms. There are some small differences between NPS and NPG: NPS emphasizes that the role of government is serving and citizen is responsible for public service, on the other hand, NPG emphasize pluralist and focuses on the organization of environment, relating to social networking. However, both emphasize that government should be negotiating and
brokering interests among citizen or community groups, creating shared values, and making good relationships in civil society. This is based on the idea that public servants must adhere to the law, community values, political norms, professional standards, and citizen interests; therefore, relationships, partnerships, networks, and collaboration among stakeholders in civil society are extremely important. In the forthcoming chapter, the importance of these new movements and theories to the discussion about the governance of civil society in Japan will be analyzed. The new theories of the public governance, NPS and NPG, have several elements which could benefit social governance.

Tabel.1 Core elements of OPA, NPM, NPS, NPG

<table>
<thead>
<tr>
<th></th>
<th>OPA</th>
<th>NPM</th>
<th>New movements</th>
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<tr>
<td>Nature of the state</td>
<td>Unitary</td>
<td>Regulatory</td>
<td>Serving</td>
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<td>Focus</td>
<td>The political system</td>
<td>Organization</td>
<td>Citizen</td>
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<tr>
<td>Resource allocation</td>
<td>Hierarchical - Policy creation and implementation</td>
<td>Market-driven - the aggregation of individual interests</td>
<td>The result of a dialogue about shared values</td>
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<tr>
<td>Organizational structure</td>
<td>Bureaucratic</td>
<td>Decentralized public organizations with primary control remaining within the agency</td>
<td>Collaborative structures with leadership shared internally and externally</td>
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Source: Denhardt and Denhardt, 2008, p28-29; Osborne, 2010, p.10

2. Public governance in Japan

(1) Introduction of NPM in Japan

During the mid-1990s in Japan, the discussion of the New Public Management
(NPM) movement began to take shape, emerging as a new model from and an extension of the Old Public Administration (OPA) system that had functioned in Japan prior.

Some public sector reforms have been adopted by the Japanese government based on certain NPM principles\(^2\): market driven and decentralization, primarily during the administrations of Prime Minister Hashimoto (January 1996 - July 1998) and Prime Minister Koizumi (April 2001 - September 2006), reconstructing the financial crisis after the bursting of the economic bubble.

In 1996, Prime Minister Hashimoto (January 1996 - July 1998) started the deliberation of reform measures including drastic restructuring of central ministries and agencies for coping with the new challenges of the 21\(^{st}\) century. The reform undertakings initiated by Mr. Hashimoto is called Hashimoto Reform: Central Government Reform, introduction of incorporated administrative agency system, introduction of policy evaluation system.

The second wave of government reform was led by Prime Minister Koizumi (April 2001 - September 2006). His reform was based mainly the policy of "from the public sector to the private sector", "from central government to local government." He advanced the reform, from the public sector to the private sector, by delegating the public service which government had provided to private sector and shifting the service which can be provided in market mechanism to market. The decentralization advanced at transferring the aspect of the duty, although, the financial resources of the local public administration was tight by the large reducing national treasury disbursement and distribution of local allocation tax in contrast with transition of tax revenue resources to local government.\(^3\)

The government promoted transferring to private sector by competitive sourcing (not competitive in Japan), privatization, private finance initiative (PFI) and designated administrator system to attempt various service needs in the limited financial resources from the view point of value for money. Additionally, it was seen to have a limitation because the operation of law was partial, and introduced market test as the way of cross-sectional and exhaustive.

The market test is to provide better services through competition between the public and private sectors. Private sector had much important roles of public services

\(^2\) Osumi who is a typical disputant of NPM in Japan argues the element of NPM as follows: 1. Management by achievement/result, 2. Management by market, 3. Conversion to customer principle, 4. Simplification of hierarchy.

\(^3\) The reducing: national treasury disbursement: 4.7 trillion yen, distribution of local allocation tax: 5.1 trillion yen. Transferring: tax revenue resources to local government: 3 trillion yen. Ministry of Internal Affairs and Communications, homepage
which have been seen as the main role of government until then, because of the transition of the service of both central government and local government to market.

These transitions to private sector achieved a measure of legitimacy in terms of efficiency. To consider the quality of service, almost all projects achieved the performance target of previous way of the government services. On the other hand, a few projects which were competed at level of low price caused troubles of lower quality services.  

Furthermore, the importance of participation of multiple service providers has been strongly recognized while taking advantage of the inventive project of private entities or NPOs and expanding the range of private project for the reducing service cost and improvement of the quality. In particular, NPO was regarded as a vital role because NPO(s) can provide more diverse services and design their services based on the citizen’s viewpoint as mission-oriented organizations. In the recent years, these recognitions is linking to the concept of “New Public Common”; which consists of multiple actors, not only governments, but also citizens, NPO(s), and private entities, in which they provide public goods and services as active actors and provide mutual services within their areas.

(2) Problems and future perspective of governance in civil society

These series of NPM introductions led to the reduction of the service areas by the central government and the expansions of the service areas by local government and private sectors. The collaboration between governments and private sectors (specifically local governments and NPOs) will be increasingly important in the future civil society.

Active exchange of opinions between government and private providers is required in order to identify the necessary services, its costs, and its quality level. However, the reform of public service was criticized for some problems such as, lack of the voluntary

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4 Refer to basic guideline of public service (Cabinet Office, Government of Japan).
http://www5.cao.go.jp/koukyo/kihon/kihon.html

5 Since the Great Hanshin Earthquake in 1995, when many volunteers were working in reconstruction efforts, NPOs have been regarded as key actors in civil society, and the Law to Promote Specified Nonprofit Activities was enacted in 1998. As more than 10 years have passed, there are 41,546 (March 31, 2011) incorporated NPOs in Japan, and the number continues to rise.

6 There is the declaration of “New Public Commons” (June 2010) from Government of Japan. The government supports the New Public Commons, under which not only the government but also citizens, NPOs, private businesses, and other parties, with the spirit of mutual assistance, play an active role in providing services for our everyday life, such as education, childcare, community development, nursing care and welfare services (Cabinet Office, Government of Japan).
initiative from the government, emphasis of precedent projects, and a small number of selected projects. These problems prevent effective collaboration between private and public sectors. The importance of collaboration is the shared vision and value, therefore the government needs to make a decision after considering deeply about goal setting and the need of the citizen's stand-point.

The importance of using multiple providers for public services will become widespread recognition in the future of civil society. Ministry of Internal Affairs and Communications argues collaboration as follows: “on the premises of certain regions, the existing multiple providers which include residents provide the required public services in the regions by working together.” In addition, it discusses as below: “public service which is provided by the collaboration in the regions is assumed by such relationship: sharing public vision and cooperating / assigning among government, residents, and community organizations, unlike the form which is commissioned and controlled / monitored only by the execution of tasks from the government.”

The direction of private and public collaboration relates with the theory of NPS: serving citizen, and NPG: plural actor. However, the problem of this direction in Japan has difficulty to stand equal footing between the government and private sectors. The reason of difficulty to use private inventive ideas on transitions to private sector is because of the remaining influence of the previous government-led service. It is an important element to stand equal footing for the service provision by plural actors in the civil society. Therefore, the existence of an intermediary is necessary to build the relationship to share public vision and cooperate toward the achievement of the shared value among government, residents, and community organizations. In the civil society, it can be said that the role of intermediary is important to connect need, resources, and relationships between public and private sectors for sharing the multiple purposes in each region.

3. Intermediary

(1) The function of intermediary

Recently, the collaboration between government and private sectors has become active by the advancements of transitions to the private sectors. The emphasized importance of equal footing between government and private sector is to collaborate effectively. Furthermore, the connection among the actors is the ingredient essential to provide public services by multiple actors. However, in Japan, the proactive collaboration is not advanced enough because private sectors had not been developed to
provide public services. Therefore the intermediary has an important role to strengthen the poor relationship among actors.

Intermediaries have been focused on the functions of infrastructure or incubator. But intermediaries are required for the functions of building the collaborative civil society with the government, citizens, NPO(s), and private entities by bridging these groups in equal footing and creating common interests.

In the NPS concept, resources are allocated based on the result of a dialogue about shared values, and its organizational structure is collaborative with leadership shared internally and externally, and in case of NPG concept, its organizational structure is network and relationship. In accordance with these concepts, the functions of intermediary are required to change.

To consider with the role of intermediaries in the future civil society, the following four functions as important elements:

1: Creating place of communication, 2: Bridging function, 3: Information provision, 4: policy recommendations. Creating place of communication is a function to offer the chance to gather citizens, NPO(s), and private entities for building relationships. The bridge function is to connect, match, and make coordination among citizens, NPO(s), and private entities. Information provision is a function to promote citizen participation and cooperation by providing information of NPO(s), citizen activities, commissioned projects, subsidies, and management know how. Policy recommendation is a function to propose the result of a dialogue about shared values with multiple actors for solving the problems in the civil society.

(2) Case study—Kyoto NPO Center

This case is considered advanced case because Kyoto NPO Center not only has the functions of infrastructure and incubator but also supports to build the civil society by the citizen-oriented view point.

(2)-1 Overview of Kyoto NPO Center

After the NPO law enacted, Kyoto NPO Center was established in July 1998, and authorized NPO status in 1999. Its mission is “to support the development of NPO(s) which will be a provider of public service and to act towards the goals: solving social problems and building of civil society, to intermediate among multiple actors like NPO, citizen, government, firm, and college.”

It has four main roles for constructing the civil society: 1) Strengthen the foundations of NPO(s), 2) Creation of civil society, 3) Education and investigations
research, 4) Interchange and cooperation.

- “Strengthen the foundations of NPO(s)” lead to strengthen the infrastructure and self-standing support of NPO as a community intermediary, (e.g. building foundations, and information provisions / transmissions).
- “Creation of civil society” lead to build flexible relationship and participating voluntarily in civil society, (e.g. holding NPO forum, publishing of community paper, and opening of community based radio station).
- “Educations and researches” lead to cooperate with educational institutions and investigate in the specialized fields of staff for raising up the next generation and finding the fact of the real civil society, (e.g. internship system with college, graduate school entrance system, and visiting lecture program in NPO(s) or colleges).
- “Interchange and cooperation” lead to facilitate exchange or cooperation with other organizations and to promote mutual understanding, (e.g. CSR support program with private entities, and exchange of the staffs between local government and Kyoto NPO center).

Currently there are 24 staff members which is large number in the Japanese intermediary, and it enables to provide various services. To consider the income total at this season, it is 95,200,000 yen in 2010 (donation: 3,900,000 yen, subsidy: 2,500,000 yen, independent business income: 8,300,000 yen, commissioned project cost: 80,500,000 yen). This budget is quite large but there is challenge that it needs to increase the proportion of donation and independent business incomes for flexibility, because commissioned project costs which is decided by government spending accounts most of the budget.

(2)-2 Kyoto Foundation for Positive Social Change

The particularly noteworthy activity of Kyoto NPO Center is the establishment of Kyoto Foundation for Positive Social Change (Kyoto Foundation) in strengthening the foundations of NPO. Kyoto NPO Center regarded “lack of funds” as the cause of deterrence of independent development of NPO by subcontract-relationship and dependency on government, and it established Foundation for Positive Social Change in 2009. Furthermore, it established the performance evaluation organization, Association of Assessment and Certification for Social Benefit Organizations Funding (AAC), in 2011, which could carry more reliability.

Kyoto NPO Center considered the importance for establishment of Kyoto Foundation to gain citizen support, and it collected donations of 10,000 yen per person from 300 citizens. Then, Kyoto Foundation made possible tax deduction to donate
NPO(s) through Kyoto Foundation by being accreditation as Public Interest Incorporated Foundations.

The main activity of Kyoto Foundation is producing funds from private entities or citizens. There are three categories of grants: 1)crown grants which is setting grant programs to respect donor’s sentiment 2)designated project grant, which is to subsidize the project of which meets a requirement and eligibility; 3)thematic program grant is to propose and manage the program with Kyoto Foundation by donor’s fund-raising. Kyoto Foundation has made it possible by many grant programs to have various resources of funds, to strengthen the management foundation, and to satisfy the expeditions of the donor. Crown grants received 2,500,000 yen donations in 2009 and 2010, designated project grant received about 68,000,000 yen donations in the first stage project, and thematic program grant is in motion for 6 programs now.\(^7\)

Furthermore, Kyoto Foundation has created a foundation loan system with financial institutions. The agreement was concluded among Kyoto Foundation, Kyoto Shinkin Bank, Kyoto Hokuto Shinkin Bank, and Kyoto prefecture, also, they created the foundation loan system for support of NPO activity. This system lends money at interest free loan against the NPO, which has an office in the Kyoto prefecture by using the grant from Kyoto Foundation. The period of lending is for 3 years, and it is required for more than two guarantors (including one of representative of corporation) without putting up collateral. Considering the records, 11 organizations in 2009 and 12 organizations in 2010 loaned from this system.

In addition, ACC is expected to have important role as certification of NPO and review of public interest for building and managing these grant system and foundation loan systems. Kyoto Foundation has brought reliability of donor and accountability of NPO by ACC.

(2)-3 Consideration of Kyoto Foundation for Positive Social Change

Kyoto NPO Center has strengthened its function of intermediaries by establishing Kyoto Foundation. The important element in the future civil society is equal footing between government and private sector, especially NPO. Therefore, Kyoto NPO realized the importance to gain the necessary funding from non-government organizations. Establishing Kyoto Foundation has created the place where private donors (citizen and private entities) and more demanding (NPOs) gather and have more connections. Then, Kyoto Foundation has provided necessary information between them, and ACC has strengthened the reliability of information by certification of NPO and review of public

\(^7\) This number is accounted from homepage of Kyoto NPO Center by author.
interest. Furthermore, producing grant programs, donors can reflect personal opinion to service directly. It is viewed as a way to propose citizen opinion in the civil society.

To consider the four functions of intermediary: 1: Creating place of communication, 2: Bridging function, 3: Information provision, 4: policy recommendation, Kyoto Foundation is seen to work effectively by these functions.

1. Creating place of communication: to strengthen the place of interchange among multiple actors by grant system.
2. Bridging function: to make opportunity to match private donor and NPO.
3. Information provision: to strengthen information provision of funding and activity, in addition, AAC provides reliable information of NPO.
4. Policy recommendation: to create the project which reflects donor’s opinion by crown grants, designated project grants, and thematic program grants

It is seen from above that Kyoto Foundation has contributed to build an active civil society by working as an intermediary. This case study can be considered as an interesting case. Kyoto NPO Center established Kyoto Foundation and thereby has strengthened relationships among multiple actors. As the result it has successfully built the flow of money, resources, and services.

4. Future perspective of intermediary in Japan

In addition to role of infrastructure or incubator, Kyoto NPO Center has supported to build the civil society based on citizens. In the future civil society, intermediaries are required to bridge between government and private sectors: citizens, NPOs, private entities, and to create public interest for building collaborative relationships.

However, most of Japanese intermediaries fail to play the role of intermediary with multiple actors, just only plays role of incubator. As a course of this, Yoshida (2009) mentions about creation process of intermediary: there was concept of intermediary at first, then it was established in Japan, on the other hand, in the U.S., intermediaries were established by the need of NPO. Normally, many intermediaries established, then intermediary was established by request from NPO, however, Japanese intermediaries were established for promotion and enlightenment activity of NPO. Moreover, a lot of same service types of intermediaries were established by government, based on the concept of importance of intermediaries for NPO. Many intermediaries, especially, ware established by horizontal policy of governments for the reason of supporting, to set up incorporated NPOs and using idle facilities effectively around 2002 and 2003. Therefore, there are some cases to provide same routine service as infrastructure or incubator in the same regions.
10 years have passed since the NPO law enacted, so needs of NPO and civil society have been shifting. With this shifting, the role of intermediary also ought to shift. The intermediary is expected to bridge between each actors and NPO(s) which have not made close relationships yet and to support creating public interests among multiple actors in civil society.

Finally, it is an important element to lead the change in attitudes about collaboration for connecting on equal footing among multiple actors and to creating public interest by the citizen-oriented view point. Yorimoto (2001) argues two public interests: one is played by government, the other is played by private sectors. He points out that public ought to be played not only by governments but also private sectors, and public policy ought to be created by initiative participations of private sectors and concerted effort of government. The background of emphasizing private sectors is the deep-seated idea, “public = government”, has remained in Japan. Most Japanese think that the government is responsible for providing public services. On the other hand, the government has not regarded the citizens as service providers even now. This idea often causes subcontract-relationships and an unequal footing between government and NPO. Furthermore this prevents active participation of private sectors to public services. NPS and NPG have also discussed the importance of equal footing among multiple actors and standpoints of governments as servant. The mission of the intermediary is to lead the change in attitudes between government and private sector for the future of civil society.

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