



International Comparative Social Enterprise Models

## Social Enterprise in Japan: Community-Oriented Rural SEs

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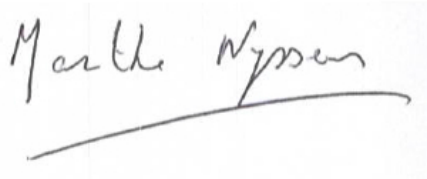
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## INTRODUCTION

The nature of challenges in today's rural Japan is characterized by "excess depopulation" (*kasō*). The decrease and aging of rural population has indeed caused a severe decline in the productive capacity in farming and other economic activities in rural areas. This has led to difficulties in maintaining livelihoods and fundamental functions of the community, such as the preservation of farming land, forests and other resources; environmental protection; disaster prevention; and education and health care. At the root of this crisis are a perilous decline and a structural change in agriculture. Inconsistent and ineffective government policies in agriculture and local development, and the failure of the male-headed, owner-farmer model of post-World War II agricultural cooperatives have exacerbated the situation. Facing the crisis of the disappearance of villages and communities, new movements aiming to support endogenous, sustainable rural development, in which social enterprises play a significant role, have finally emerged.

The objective of our study is to identify the emergence of social enterprises in rural areas of Japan and characterize them in the light of existing analytical frameworks on social enterprise. This paper reviews the historical origin and emergence of rural social enterprises in Japan. It relies on an extensive review of the literature including academic papers, reports and case studies published by ministries and prefectural governments, publications by research institutes of the cooperative sector, and other informal resources. We also conducted field visits and on-site interviews of our own in Hyogo, Kyoto, Okayama, and Saitama Prefectures.<sup>1</sup>

We can currently identify three types of community-based enterprises among Japanese rural SEs. The first one has developed from the organic farming producer cooperatives and farms of the 1970s. The second one is often referred to as "community-based agricultural corporation" (*Shurakugata nogyo hojin*) or "public interest community farming organization" (*Chiikikokengata shuraku eino*);<sup>2</sup> these organizations evolved in the 1990s and 2000s from the practice of community farming (*shuraku eino*). They are involved in agriculture-based diversified economic activities (community business) as well as in the supply of essential goods and services for local livelihoods (community services). They also provide other non-market environmental services such as farmland preservation, food safety, and conservation of natural resource, and they promote biodiversity. The third type corresponds to the organizations established as "community autonomous associations" (*Chiiki jichi soshiki*), which aim at the revitalization of the community; most of them appeared in the 2000s in response to the large-scale municipal mergers during the 1996-2010 period. They were created mostly by initiatives of concerned citizens in the local community, in partnership with local authorities (municipal governments), and explicitly addressed the challenges and pressing needs of disadvantaged areas. These organizations became directly engaged in the provision of a variety of community services.

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<sup>1</sup> Field visits and on-site interviews were carried out in "organic towns" and rice-farming cooperatives in the Tanba and Tajima regions in Hyogo Prefecture and Ogawa town in Saitama Prefecture, and community-based agricultural corporations and a community autonomous organization in Kyotango City in Kyoto Prefecture.

<sup>2</sup> The former appears in Kyoto Prefecture (cited by Kitagawa [2007]), and the latter is a formal name used in Shimane Prefecture.

Our findings show that these three types of enterprises represent a new, endogenous form of social entrepreneurship; they respond to the on-going crisis of agriculture and community by replacing or complementing existing agricultural cooperatives and other rural organizations and reshaping traditional community entities through new entrepreneurial dynamics. Therefore, we can identify them as rural *social enterprises*.

Currently, agriculture-based social enterprises have two major legal forms: the “agricultural producers’ cooperative corporation” (*nojikumiai hojin*, or APC) and the “special limited company” (a non-public stock company with restriction on the transfer of shares). Some community autonomous associations have a legal status recognized by the Local Autonomy Act; others are non-profit organizations such as NPO-*hojin* (i.e., literally, “NPO corporation”), and others still remain unincorporated.

Regardless of their origin and legal form, however, the most advanced and influential organizations among these rural social enterprises seem to be converging toward each other in such a way that they increasingly become “whole community oriented”. Many rural social enterprises engage in rural-urban exchange, and most recently, some have begun extending their functions to work (and social) integration through agricultural work and rural life.

Our main hypothesis is that the latest forms of rural enterprise are evolving into a new model of social enterprise, which we can name “community cooperative”. It is created on the initiative of a group of citizens in the community and shares the common goal of local revitalization and sustainable community development. Community cooperatives “rediscover” and mobilize community resources and assets and provide various types of quasi-public “community goods”. They implement an evolving model of self-governance from inside the community.

This paper is structured as follows. Section 1 provides an overview of the historical background of rural social enterprises. Section 2 describes traditional and new agricultural cooperatives in Japan. Section 3 traces the origins of today’s rural enterprises—namely, the new cooperative movements that appeared in the 1970s and the early 1980s. Section 4 identifies an emerging model of community-oriented rural social enterprises from the 2000s onwards. This section describes three distinct development patterns of these enterprises and analyzes the common characteristics, main functions, legal forms as well as governance structure of these enterprises. It also discusses the institutional framework and government policies related to the development of rural social enterprises. Section 5 summarizes the findings and discusses its implications for future research.

## 1. AGRICULTURE AND RURAL COMMUNITIES AT STAKE: THE FORMIDABLE CHALLENGES

Today 45% (776) of Japan’s 1,724 municipalities are registered as “depopulated (*kasō*) areas”; together, they only represent 8.8% (11,273,000 people) of the country’s total population. There are cities, towns and villages that are designated as depopulated areas in all prefectures<sup>3</sup> but Kanagawa and Osaka.

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<sup>3</sup> Including Tokyo Metropolitan Region.

This fact largely reflects the perilous decline of agriculture,<sup>4</sup> such as it clearly appears from Table 1. Ever since the middle of the 20<sup>th</sup> century, the Japanese agricultural sector has constantly shrunk over time. Between 1960 and 2010, agriculture's contribution to GDP declined from 9.0% to 1.2%, its proportion of the employed labor from 26.6% to 4.3%, and the farming population declined from 11.96 million to 2.61 million.

The most striking change lies in the patterns of farming practice among farm households. The majority of today's households do not fit anymore with the full-time engagement of family in the farm, which hitherto constituted the basic model of agriculture. By the early 1970s the wave of industrialization had reached rural areas, and most commercial farm households had already become "side-business farm households", having non-farm employment as their major economic activity. In fact, side-business farming has become the major livelihood strategy of the rural households since the slowing down of the massive rural-urban migration after the high growth period (1954-1973).

Globalization, the deregulation of domestic markets and subsequent liberalization of agricultural import has impacted agriculture and rural industries significantly. Even the number of side-business farm households declined after 1990. In 2010, out of the total of 2,520,000 farm households, full-time farm households accounted for only 17.9% (452,000). The share of part-time semi-business farm households (Category 1 part-time<sup>5</sup>) and part-time side-business farm households (Category 2 part-time<sup>6</sup>) were 8.9% (225,000) and 37.8% (955,000) respectively, while those who only farmed for self-consumption and totally gave up business agriculture accounted for as much as 35.5% of farm households. Agriculture as a whole has become more vulnerable to risks and uncertainties. While farmland is the most fundamental element in agricultural production, the total area of farmland has been shrinking over the last 20 years; this evolution can be accounted for, to a large extent, by the abandonment of cultivation (which concerned 40 million hectares in 2010). These structural changes have had serious implications for the local food production and food security.<sup>7</sup>

These changes also affected the nature and functions of rural communities greatly. The majority of rural communities are no longer composed of family farms. They are quite diversified in terms of occupation, sources of family income and livelihood strategies. In addition, rural industries also have declined over time: textile industries and other labour-intensive businesses such as automobile and electrical/electronic assemblies have migrated overseas to neighboring developing countries. In such a context of decreasing income opportunities, the outmigration of the younger generation could not be stopped, and aging has become a significant problem in rural areas. Furthermore rural communities have suffered greatly from the *Heisei*<sup>8</sup> municipal mergers and dissolutions that took place during the 1999-2009 period.<sup>9</sup>

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<sup>4</sup> Although we focus on agriculture in a narrow sense in this paper, a similar situation can be observed in forestry.

<sup>5</sup> Part-time farm households (*kengyo noka*) primarily engaged in agriculture.

<sup>6</sup> Part-time farm households (*kengyo noka*) engaged in agriculture as a secondary business.

<sup>7</sup> Food self-sufficiency has declined to an alarming level: as of 2007, it was at 40% in terms of total calorie intake and 28% in terms of grain supply; this is one of the lowest levels among developed countries, making Japan the world's largest net importer of agricultural products.

<sup>8</sup> *Heisei* is the current era in Japan; it started after the death of Emperor Hirohito, on January 8, 1989.

<sup>9</sup> Municipal mergers started with the Special Mergers Law in 1995 with the LDP government's aim to cut administrative costs and facilitate efficiency in municipalities burdened by large budget deficits.

**Table 1. Status of Agriculture in Japan** Unit: thousand and per cent

	1960	1970	1980	1990	2000	2010
Total number of farm households	6,057	5,342	4,661	3,835	3,120	2,528
Commercial	n.a.	n.a.	n.a.	2,971	2,337	1,632
Full-time	2,078	831	623	473	426	452
(% of total)	[34.3]	[15.6]	[13.4]	[12.3]	[13.7]	[17.9]
Category 1 part-time	2,036	1,802	1,002	521	350	225
(% of total)	[33.6]	[33.7]	[21.5]	[13.6]	[11.2]	[8.9]
Category 2 part-time	1,942	2,709	3,036	1,977	1,561	955
(% of total)	[32.1]	[50.7]	[65.1]	[51.6]	[50.0]	[37.8]
Self-consumption	n.a.	n.a.	n.a.	864	783	897
(% of total)	n.a.	n.a.	n.a.	[22.5]	[25.1]	[35.5]
Agricultural labor force	15,432	10,252	6,973	4,819	3,891	2,606
aged 65 and above	n.a.	1,823	1,711	1,597	2,058	1,605
(% of total)	n.a.	[17.8]	[24.5]	[33.1]	[52.9]	[61.9]
Area of abandoned farmland (million ha)				21.7	34.3	40.0

Source: *Census of Agriculture, Forestry and Fisheries 2010*, composed by the authors

There was an inherent weakness in the post-World War II agriculture that exacerbated over time. The agricultural land reform, implemented in Japan right after the war, was considered to be one of the most successful agrarian reforms in the world. It demolished a class structure based on landholding and liberated former tenant farmers from the control of absentee landlords, thus giving them new incentives to work. However, it did not transform the traditional agricultural production structure. Given the size of the lots of cultivated land, which were tiny, the agricultural growth in the post-war period can be attributable almost solely to greater technical knowledge and the extensive use of critical inputs (fertilizers/industrial chemicals). The productivity growth became stagnant by the early 1960s and income disparity between rural and urban areas widened.

The absence of a clear vision and the inconsistent and ineffective policy implemented in agriculture and rural development exacerbated the situation. Low productivity in agriculture did not directly translate into low income due to price controls, which were particularly favorable to rice producers, and across-the-board production subsidies. These policy measures were in place for a long time and they were strongly supported by traditional agricultural cooperatives (*Nokyo*, later on renamed JAs—see section 2.1), which have organized into a major constituency of the Liberal Democratic Party (LDP) government. These policy measures made farm households highly dependent on government support and on *Nokyo*/JAs. The subsequent structural reform policy, which aimed at enhancing agricultural productivity and started with the Agricultural Basic Law in 1961, ended up as a failure. In particular, the policy of limiting the acreage for rice (Gentan policy), which was introduced in 1970, brought about considerable confusion and conflicts for farm households and communities.<sup>10</sup>

<sup>10</sup> Farmers who are willing to cooperate with this policy and change the rice paddy field for the production of other crops receive a subsidy from the government. This policy profoundly affected (in an



To date, the Japanese government, local authorities and *Nokyo*/JAs have been unable to respond properly to the pressing needs of farm households and rural communities. Consequently, rural social enterprises have emerged from the spontaneous responses of concerned farmers and citizens.

## 2. AGRICULTURAL COOPERATIVES IN JAPAN

Two types of agricultural cooperatives emerged in Japan in the post-war period: *Nokyo* appeared shortly after the war, in the wake of post-war reforms, while agricultural producers' cooperative corporations (APCs) appeared in 1962.

### 2.1. The transformation and decline of post-war agricultural cooperatives (*Nokyo*)

Post-war agricultural cooperatives or *nogyo kyodokumiai* (*Nokyo*)—renamed as Japan Agricultural Cooperatives (JAs) in 1992—were born based on the Agricultural Cooperative Act of 1947.

The predecessor of *Nokyo* was the industrial cooperative (established in 1900). Industrial cooperatives were based on the German Raiffeisen cooperative model, encompassing credit, marketing, purchasing and production associations. During World War II, however, the government merged industrial cooperatives, *nokai* (agricultural associations),<sup>11</sup> and other groups into *Nogyokai* (the Agricultural Society). The resulting *Nogyokai* was a mere wartime mechanism aiming to mobilize and control farmers with a view to securing and increasing food production.

After the Second World War, the Agricultural Land Reform (1947-50) redistributed land and created a large number of newly-landed farmers; the creation of new agricultural cooperatives was a major aim of the democratic reform implemented under the U.S. occupation (1945-51) for the post-war rural development.

The purpose of the agricultural cooperative was economic cooperation among independent, small owner-farmers, and its establishment and management was to be firmly based on democratic principles, as reflected in the law.<sup>12</sup> A three-tier structure, corresponding to the administrative structure of municipal, prefectural and national government, was established

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adverse manner) farmers' incentives to innovate and enhance productivity in rice farming. In late 2013, the government announced that it would abolish rice acreage policy five years later.

<sup>11</sup> *Nokai* (agricultural associations) were established by rural leaders, mostly landlords, and graduates of agricultural professional schools, and contributed to the dissemination of agricultural techniques and training of farmers.

<sup>12</sup> In reality, free and open membership and independence from the government were not ensured for *Nokyo* agricultural cooperatives. Because of the need to regulate and control food, which was in acute shortage in the post-war period, agricultural cooperatives were virtually established by the national government. They encompassed all farmers throughout the country and were comprehensive in their role. Through agricultural cooperatives, the government took control of most of the economic activities of Japan's farming communities. As to membership, it was virtually based on the household, not on individual members, and was usually assumed by the male-head of the family.

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for agricultural cooperatives in the mid-1950s. The basic unit consists of primary cooperatives, operating at the local level, such as city and village.<sup>13</sup> Primary agricultural cooperatives are of two types: multifunctional and special cooperatives. Multifunctional cooperatives have inherited the basic functions of industrial cooperatives and represent the comprehensive nature of Japanese agricultural cooperatives. These cooperatives provide their members with various services, including marketing, purchasing, material supply (fertilizer, agrochemicals, animal feed, agricultural machinery and tools), agricultural extension, agro-processing, credit and insurance, life improvement guidance and welfare services. However, they have remained “service” organizations, excluding the function of cooperative production.<sup>14</sup> Special cooperatives are either those that specialize in livestock, horticulture, and sericulture, or those that do not provide credit services. To date, multi-functional cooperatives have remained a minority, due to generally small-scale operation among farming businesses in Japan.

Japanese *Nokyo* cooperatives have been regarded as one of the best forms of collective action in a small farmer-dominated agricultural sector, uniting people and resources and producing food for the nation. They also provide indispensable services to the rural community (Esham et al. 2012). In the post-war period, *Nokyo* cooperatives contributed to the productivity upgrading and development of agriculture. They played a crucial role in the transformation of the national economy from a predominantly rural-based society to one of the world’s most highly industrialized countries (Hayami and Yamada 1991).

The number of *Nokyo* cooperatives increased rapidly to more than 13,000 multi-functional and nearly 21,000 special cooperatives by the mid-1950s. Thereafter, however, particularly after the 1973 oil shock, the development of agricultural cooperatives stagnated. It was mainly due to structural changes in the economy, but also in part reflected a decrease in the number of municipalities. In 1988, the Central Union of Agricultural Cooperatives decided to promote mergers and a structural reorganization of its cooperatives. As a result, the number of primary cooperatives, which are to serve local agriculture and communities in villages or towns, has drastically decreased, from 35,368 in 1954 to 3,688 in 1990 and 740 in 2012.

An analysis of JAs’<sup>15</sup> performance (Esham et al. 2012) revealed that they register losses for almost all their agriculture-related businesses. The huge deficit that these losses create is covered by the profits generated by the financial business. Agricultural cooperatives’ main agriculture-related business activities (purchasing and marketing) peaked in 1985; they have since gradually declined, though these activities still generated the highest share (2,936 billion yen, i.e. 46%) of their total business turnover in 2008. The overall revenue from the marketing business and its share in the market have also declined over time. In the rice market, the virtual monopoly status enjoyed by JAs (which accounted for more than 95% of sales in 1985),

<sup>13</sup> The second level of the hierarchy, at the prefectural level, consists of the prefectural federations, which are organized on the basis of the types of activity undertaken. At the apex of the hierarchy are the national federations, organized once again on basis of the types of activity undertaken. The Central Union of Agricultural Cooperatives is the apex organization, representing the entire system.

<sup>14</sup> The Agricultural Cooperative Act does not include agricultural production in the business of *Nokyo*. It does not forbid *Nokyo*/JAs to help farmers to organize production, but this has not happened until very recently. In addition, on the basis of a strict owner-farmer model, the Agricultural Land Act prohibited until 2009 any organization (including *Nokyo*) or individuals other than farmers to own agricultural land.

<sup>15</sup> As explained above, *Nokyo* cooperatives were renamed “Japan Agricultural Cooperatives” (JAs) in 1992.

has diminished since the liberalization of this market. By 2006, the market share of JAs for rice, fresh produce and fresh milk had declined to 43%, 31% and 19% respectively. A similar evolution could be observed in terms of input purchasing. With ongoing mergers and restructuring, agricultural extension services (technical and managerial guidance), which once used to be one of the core activities of JAs, have been neglected because of their low profit, in spite of their importance.<sup>16</sup>

Over time, financial services (credit and insurance) have become the dominant business of JAs, which are the main providers of agriculture-related credit to members and the agribusiness sector. Mutual insurance business is one of the most profitable business fields for agricultural cooperatives. These services grew rapidly in the 1980s and 1990s but have declined since then—a situation that has a serious impact on the overall profitability of the JAs. The restructuring efforts, through mergers and amalgamation, may have brought in benefits linked to economies of scale in the banking and insurance businesses, but other agriculture-related businesses remain in deficit. The share of primary cooperatives registering losses increased from 2.5% in 1990 to 11% in 2007, casting doubts about the effectiveness of the amalgamation in terms of improving agriculture-related businesses.

Thus, JAs are facing formidable challenges, which undermine their role in the agricultural sector. At the same time, the changing structure of farming households and the diversifying occupational profiles of residents in the community made the owner-farmer model increasingly irrelevant and sometimes even counter-productive for agricultural restructuring and community revitalization. Indeed, this model barely contributes to upgrading agricultural productivity and increasing farm income; and it has not only failed in helping full-time producers in agricultural production, it has also been unable to empower non-farming households and individuals in the community.

## 2.2. The formation of agricultural producers' cooperative corporations (APCs)

The “agricultural producers' cooperative corporation” (*Nojikumiai hojin*, or APC), the second type of agricultural cooperatives of the post-war period, was established in 1962.

The early 1960s witnessed a major structural change in the Japanese agricultural sector. Indeed, the widening gap in productivity and income between agriculture and industry had caused the outflow of young people in the previous decade. In addition, an increasing number of remaining farm households had taken off-farm jobs and become part-time farmers. In 1961, the Agricultural Basic Law, which aimed to restructure the agricultural sector by concentrating farmland and scaling up farms' management, was formulated. Facilitating cooperative production was one of the aims of the government policy; it was also supported to some extent in the Parliament by the largest opposition party (namely the Socialist Party), which had promoted the producer cooperative in agriculture to overcome the limitations of family farming. In the following year, the Agricultural Cooperative Act was amended as a result of a compromise between the ruling Liberal Democratic Party (LDP) government and opposition parties: the agricultural producers' cooperative corporation (APC) was created on the basis of the same democratic principles as *Nokyo* agricultural cooperatives.<sup>17</sup>

<sup>16</sup> This and the following two paragraphs are based on Esham et al. (2012).

<sup>17</sup> Agricultural Cooperative Act, Chapter 2 (about *Nogyo kyodo kumiai* and its federation), Article 10,

The objective of agricultural producers' cooperative corporations (APCs) is to generate common benefits for their members through cooperation in agricultural production (Agricultural Cooperative Act, Article 72-3). "Agricultural production" includes production-related activities such as transportation, storage and processing. It also includes forestry, when jointly managed with agriculture.

As a cooperative, the APC has two functions. The first one is the cooperative use of production facilities or cooperative work in some processes of farming for upgrading productivity, and the second function is the joint management of members' business as a whole. Three types of APCs can be distinguished on the basis of their functions (APCs can implement only the first function, only the second one, or both functions). An APC can be created by a group of at least three farmer founders, regardless of their land ownership. In addition to farmers, agricultural cooperatives and other farming-related organizations can also be members of the APC. Full-time work engagement<sup>18</sup> and capital subscription requirements are not very strict; APCs are thus free from the restrictions imposed on existing *Nokyo* agricultural cooperatives and from the underlying owner-farmer principle.

APCs, particularly those entering both cooperative work and joint management, are by nature producer or worker cooperatives. From this point of view, they can be considered as embodying the *raison d'être* of the cooperative in agriculture, that is, cooperation in production—a point which post-war *Nokyo* agricultural cooperatives had missed.<sup>19</sup> Therefore APC, as a new legal form for agricultural cooperation, began to attract prospective farmers who were either new entrants or successors of farm households returning to agriculture, but not necessarily in their hometown. It also provided a new way for rural women to organize their farming-related production activities, such as food processing and rural restaurants.

The number of APCs increased rapidly. According to an annual survey conducted by the Ministry of Agriculture, Forestry and Fisheries (MAFF), about 1,100 corporations had been registered by 1965. The number continued to rise throughout the 1970s and the first half of 1980s. It reached 6,515 in 1985 and then stabilized until it started to increase again in the mid-2000s. The total number was 8,192 in 2013. Since the formation of an APC is totally voluntary on the part of its founders, this tendency seems to indicate that there has been a widespread need for such an organization among existing and prospective farmers, as we will see in the next section.

### 3. THE NEW WAVE OF THE COOPERATIVE MOVEMENT AND RURAL ENTERPRISES: THE 1970s AND THE EARLY 1980s

In this section, we attempt to identify the origins of rural social enterprises in two strands of practices that appeared in the 1970s and early 1980s. The first is the organic movement, which aimed at the development of new methods of agriculture as well as new ways of

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and Chapter 2-2 (*Noji-kumiai hojin*), respectively. The process of formation of APC is described in detail by Iwami (2007).

<sup>18</sup> The top manager and the technical and clerical workers can be full-time workers in the cooperative without participating in farming labor.

<sup>19</sup> Iwami (2007), Chapter 2. Iwami is the only author we could find in the literature who acknowledged the important role of APCs in this aspect.

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marketing and new types of rural-urban exchange. The second strand is that of the farmers, not necessarily practicing organic or other forms of natural farming, who pursued the creation of agriculture-based producer cooperatives.

The early 1970s was a time when Japanese people suffered, as other nations, the enormous impacts of the two oil shocks. They became aware of the backlash of high economic growth, such as environmental destruction and natural resource depletion, and began to question the meaning and value of development. Along with the massive civic movement against industrial pollution, a new wave of cooperatives arose. New types of cooperation and cooperatives, such as *Teikei* (see below) in organic farming, natural food co-ops and worker cooperatives were born. The endogenous development approach, which emerged in Europe, North America and Japan in the mid-1970s and was subsequently enriched by the concept of sustainable development, has significantly influenced research and practice in rural development in Japan thereafter.<sup>20</sup>

### 3.1. Farmer entrepreneurs in environmentally-conscious farming

By the early 1970s, “industrial agriculture”, which was heavily dependent on chemical fertilizers and pesticides, had been mainstreamed. At the same time, the detrimental effects of pesticides on the health of farmers and local ecosystems had become recognized among farmers and doctors. Throughout the rest of the 1970s, intensive use of synthetic fertilizers, post-harvest pesticide residues and processed food full of chemical additives drew considerable attention from consumers concerned with the adverse effects of “compound pollution” on health.<sup>21</sup>

Groups of farmer entrepreneurs emerged from the early practices of organic and other natural farming methods. They were former activists of student movements or educated farm successors who returned to their home villages after spending some time in large cities. They were devoted to a new type of technical innovation in agricultural production. Their technique relied on economies of scope rather than on the economies of scale through mechanization that were pursued by conventional farming. It included multiple-crop cultivation, crop rotation, integrated or biological methods of pest control, the joint production of farming and livestock raising, and sometimes extended to the circular use of local resources, including biomass renewable energy.

These organic farmers also engaged in *Teikei*, an innovative method of uniting farmers with conscious consumer groups. *Teikei* is based on a voluntary partnership between local farmers and nearby consumers, who become subscribers in support of the farm. In exchange for paying in advance—at the beginning of the growing season, when the farm needs financing—*Teikei* members receive weekly installments of the freshest, healthiest produce throughout the

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<sup>20</sup> Vazquez-Barquero (2002), Dora et al. (2003), Tsurumi (1989 and 1999), Tsurumi and Kawakatsu (2008), and Miyamoto (1989 and 1999) are among the researchers who advocated for endogenous development.

<sup>21</sup> Rachel Carson’s *Silent Spring* (1962), which was published in Japanese in 1964, and *Fukugo-osen* (“The Compound Contamination”, 1975), a best-selling book by novelist Sawako Ariyoshi, had a strong influence on organic farming and alternative food movements in Japan.

season. This arrangement helps farmers by providing an infusion of cash early in the year and by allowing them to spend less time on marketing once the growing season begins.<sup>22</sup>

To some extent, this system was needed by organic farmers; they had to find a way to sell their product without depending on *Nokyo*/JAs, which had been active promoters of chemical-intensive agriculture and single-crop production and had a virtual monopoly on agricultural distribution. In economic terms, the direct marketing method enables producers to circumvent the wholesale and retail markets and internalize the value added created through forward integration. For consumers, it implies an opportunity to support and interact with a local farmer and to receive fresh produce, that is, to engage in a rural-urban form of “fair trade”. The *Teikei* system also makes it possible to overcome asymmetric information on the food supplied and helps consumers pay their premium for food of truly high quality. In social terms, the system facilitates the creation of “bridging” social capital through rural-urban exchange. The *Teikei* movement further influenced concerned consumers; some of them, who had become unsatisfied with their co-ops, started their own “green” food co-op, such as the Seikatsu Club (a consumer cooperative in Metropolitan Tokyo area).<sup>23</sup>

There are several well-known examples of early entrepreneurs in organic farming. Among them are Yoshinori Kaneko of Shimosato Farm in Saitama Prefecture, and Toshio Fujimoto and Kazuyoshi Fujita, the co-founders of *Daichi o mamoru kai* (“Association for Protecting the Motherland”), established in 1975. Some of these entrepreneurial farmers later organized themselves as agricultural producers’ cooperative corporations (APCs) or companies. Most others, like Kaneko, remained individual farm owners; they nevertheless formed a strongly-tied group and belonged to the associative non-profit organization, Japan Organic Agriculture Association (JOAA), which promotes organic farming, food safety and environmental protection.<sup>24</sup> JOAA was established in 1971 on a proposal of Teruo Ichiraku,<sup>25</sup> who had been inspired by concerned doctors<sup>26</sup> and practitioners in natural farming.

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<sup>22</sup> Explanation of community-supported agriculture (CSA), a US version of *Teikei*, by the Union of Concerned Scientists (2010). Japan Organic Agriculture Association (JOAA), one of the founding *Teikei* groups, defined “Ten principles of *Teikei*”: 1) Principle of mutual assistance as the essence of the partnership; 2) Principle of ensuring planned production for producers; 3) Principle of accepting the produce (on the part of consumers); 4) Principle of mutual concession in the price decision; 5) Principle of deepening friendly relationship; 6) Principle of self-distribution; 7) Principle of democratic management; 8) Principle of learning among each group; 9) Principle of maintaining the appropriate group scale; and 10) Principle of steady development. *Teikei* is widely spread nowadays in the U.S. and described as “community-supported agriculture” (CSA). For more details on the history and practice of *Teikei*, see JOAA (1993).

<sup>23</sup> Seikatsu Club Co-op, which was established in 1968 in Tokyo, is also known as the founding body of Workers Collectives Japan (the federation of female-owned worker cooperatives).

<sup>24</sup> Since JOAA is a highly influential and representative organization of organic producers, we could infer the number of such cooperatives and entrepreneurs by searching the membership of JOAA.

<sup>25</sup> Teruo Ichiraku was a prominent leader of the cooperative movement and the Director General of the Institute of Cooperative Management Research (presently Japan Cooperative [JC] General Research Institute).

<sup>26</sup> Among them was Shin’ichi Wakatsuki, the founder of Saku General Hospital, which became the first cooperative hospital to offer comprehensive medical services in rural areas (Nagano Prefecture) of Japan.



### 3.2. Rural producer cooperatives

In the 1970s also appeared groups of young farmers, mostly farming successors, who were concerned with the future of agriculture and unsatisfied with traditional *Nokyo* agricultural cooperatives. Most of them later adopted the then newly established legal form of agricultural producers' cooperative corporation (APC—see section 2.2), which enabled them to cooperate with each other and organize themselves. Iwami (2007) was among the authors who analyzed rural enterprise and identified such APCs as rural producer or worker cooperatives.<sup>27</sup>

Most of these rural producer cooperatives engaged in environmentally-conscious agriculture, including organic farming. They were usually also concerned with other environmental issues, such as preservation of natural resources. A salient feature of these cooperatives is that they established strong relationship with other new types of cooperatives in urban areas, such as "green" consumer co-ops and worker cooperatives. As they expanded their exchanges with urban consumers and diversified their business activities into processing and distribution, they became less dependent on the services of traditional *Nokyo* agricultural cooperatives.

Shonai Cooperative Farm, located in the rice-growing region of Yamagata prefecture, is one of the earliest examples of such rural producer cooperatives. It was set up in 1973 by a self-study group of young farm successors, who were learning how to organize themselves to cope with the government's rice acreage restriction policy. In 1978, the farmers organized direct sales to a consumer co-op in Saitama as well as joint purchasing of agricultural inputs and processing of rice, independently from *Nokyo*. They upgraded production techniques and promoted product development through exchanges with experts and other production areas. As a result, they successfully expanded their product portfolio to include beans and fruits (including a special brand of green soybeans and Japanese persimmon), barley, and vegetables. The farm became an APC in 1989. In 1993, it set up a common rice milling and shipment center—a development that represented a final move away from *Nokyo* (JA).

A similar story is that of Yonezawa-kyo Livestock Farm, established in 1974 by a group of livestock farmers in Yonezawa, Akita Prefecture. The farmers' motive was to cope collectively with the sharp decline in the prices of livestock products after the oil shock. The farm's mission was to achieve a circular method of agriculture and livestock farming and to provide consumers with high-quality and safe products. It began with direct sales of beef to local customers. The farm initiated collaboration with Shimousa Consumer Co-op (now L Co-op) in Saitama Prefecture and Tama Consumer Co-op (now Tokyo My Co-op) in 1975. The collaboration extended to trading with the federation of Metropolitan Tokyo consumer co-ops, and the farm developed into an APC in 1979. In subsequent years, the farm expanded its business to include fruits (high-quality grapes and brand apples) and chickens by forming additional APCs for each business line. In 1994, they organized local rice farmers covering the whole areas of their APCs to establish Farmers' Club *Akatonbo* (a limited liability company). *Akatonbo* has its own rice center and processing factory; it emphasizes constant technological upgrading, self-reliance of rice farmers, and preservation of local agriculture and the environment.

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<sup>27</sup> Worker cooperatives were born in Japan in the early 1970s to secure employment for middle- and old-aged workers who had lost their job, and spread after the oil shocks. "Worker collectives", for female workers, appeared in 1982.

*Muchachaen*, in Akehama Town, Seiyo City (Ehime Prefecture) started in 1974 as an organic farming group producing and processing oranges. It soon began the joint production of orange and livestock farming and expanded its direct sales markets in collaboration with natural food stores, natural co-ops, and consumer groups in other localities. It incorporated as an APC in 1889, started to cooperate with the local *Nokyo* cooperative<sup>28</sup> and created an organic agriculture section within *Nokyo* in 1988, while keeping its own corporate status. It joined the Japan Workers' Co-operative Union (JWCU) in 1995 and established a training center for new entrants in organic farming in 1998. Subsequently, it raised funds from urban consumers for the purchase of abandoned farmland in other towns and villages and engaged in the cooperative production of vegetables. It further diversified into sales of fisheries products and shipping, establishing other organizations (a stock company and a few limited liability companies).

### 3.3. Organic farmers and rural producer cooperatives as predecessors of rural social enterprises

Although the concept of "social enterprise" was not born yet, farmer entrepreneurs and rural producer cooperatives in the 1970s and 1980s in Japan, as described in Sections 3.1 and 3.2, exhibited some important characteristics of today's social enterprises. As rural "social entrepreneurs" or reformists in the cooperative sector, they created an innovative approach to connect to consumers through trust and mutual support relationship: "co-production" of safe and healthy food and its delivery service by producers and consumers, and rural-urban "fair trade". By doing so, they generated benefits for society, through the provision of important merit goods and services that were provided neither by for-profit companies nor by traditional agricultural cooperatives and consumer co-ops.

## 4. THE EMERGENCE OF COMMUNITY-ORIENTED RURAL SOCIAL ENTERPRISES IN THE 2000s

The new cooperative movements became sluggish in the second half of the 1980s: the "bubble economy" in the 1986-1991 period and the aftermath of its burst threw the Japanese economy into long-persisting recession. Globalization and falling prices of agricultural products also contributed to a severe decline in both farming and non-farming incomes. Under these circumstances, the farming households could no longer maintain their traditional livelihood strategy, i.e. diversifying their income sources through employment in manufacturing and construction along with part-time farming. Besides, once outmigration stabilized, aging and natural population decrease became serious issues in rural communities, leading to so-called "shrinking communities".<sup>29</sup>

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<sup>28</sup> As stated in section 3.1, the *Nokyo* (or JA) cooperative has been an active promoter of chemical-intensive agriculture and single-crop production, which is incompatible with organic farming. However, by the end of the 1980s, many *Nokyo* primary cooperatives, particularly those which did not participate in the merger of *Nokyo*, had begun to accept organic and other ecological methods of farming.

<sup>29</sup> Some researchers went on to call many of these communities "marginal communities" (*Genkai shuraku*), on the verge of disappearance.



Globalization and the stagnant economy, on the other hand, facilitated a social movement to rediscover the value of local tradition and culture and to re-evaluate the endogenous, sustainable development thinking of the 1970s.<sup>30</sup> Against this background, the new millennium witnessed the resurgence of community and cooperation.

In 1999, the government abolished the Agricultural Basic Law, which had been a guiding principle of Japanese agricultural policy for the past 38 years, and enacted the Basic Law on Food, Agriculture and Rural Areas. The law reflected a new vision of agriculture: agriculture should secure the supply of staple food and fulfill multi-functional roles, and sustainable agricultural development and the revitalization of rural areas should be promoted. The government eventually shifted the direction of agriculture support measures, from across-the-board production subsidies to direct payments targeted at three fields: multi-functionality, disadvantaged hilly and mountainous areas, and environment-conserving agriculture. However, in practice, the government still placed a higher priority on restructuring agriculture through consolidation and efficient use of productive assets, particularly farmland, than on the creation of sound and resilient rural communities. A variety of community-oriented or community-based enterprises was born as a bottom-up response to fill this gap.

In this section, we identify rural enterprises that evolved from various community initiatives in the 1990s and 2000s as *social enterprises*. Then, we categorize them into three “models” according to their respective development patterns, main functions, nature of social innovation and governance structure. The first model corresponds to those enterprises that originated in organic farmer groups and producer cooperatives (described in the previous section) and later strengthened their community orientation. The second and third models emerged respectively in the 1990s and 2000s, from within the community, to cope with the crisis of agriculture and rural livelihoods. The second model developed from “community farming” (*shuraku eino*), a collective action by local farmers to prevent farmland from diversion and abandonment. The third model emerged as the response of conscious citizens, not necessarily farmers, who faced difficulties in maintaining rural life. This model represents enterprises that were created on the initiative of local autonomous organizations in partnership with municipal governments (village or township), and addressed the challenges of the whole community directly. The common feature of these three types of enterprise is that their goal is the revitalization and well-being of the community at large, rather than their collective economic interest. The next three subsections deal with each of the three models respectively.

#### 4.1. Towards community-supported agriculture

When the first generation of organic farmers became successful, their practice, lifestyle and thoughts started exerting a strong influence on other farmers and residents in their community. First, neighboring farmers noticed that the quality and taste of organic products had become highly valued by consumers and local companies (food processors, restaurants, etc.). Then, they became aware that organic and other natural methods of farming were attracting new and younger entrants. Sometimes, these neighboring farmers started to learn the methods of organic farming, then taking a further step in the transition away from conventional farming.

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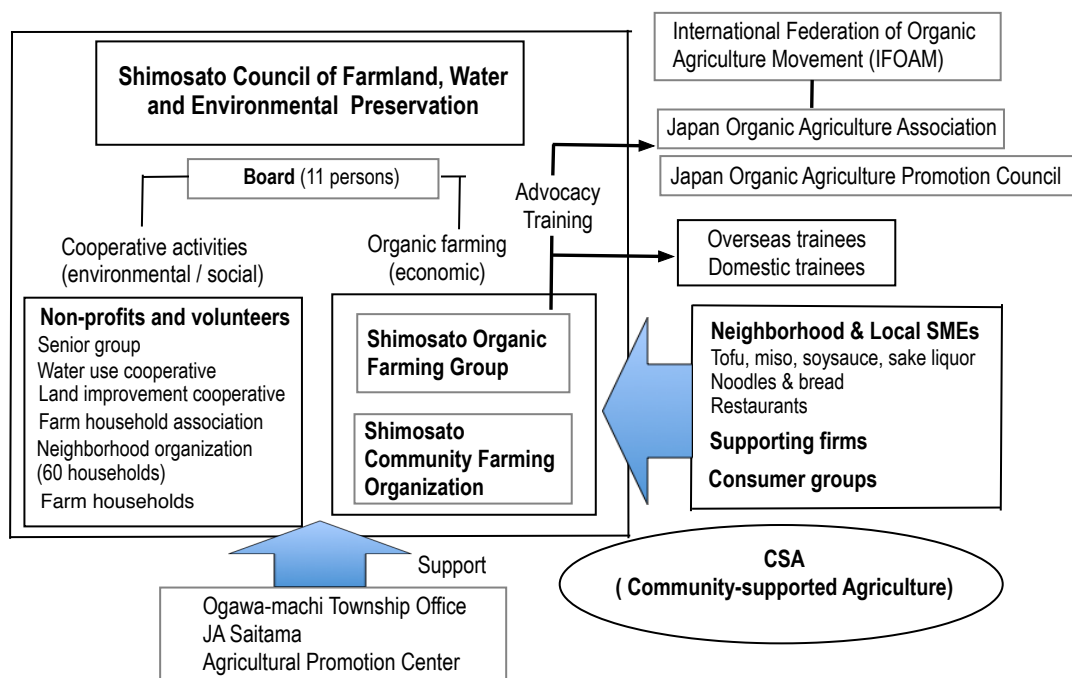
<sup>30</sup> As in European countries and in the rest of Asia, this shift aimed at both addressing the on-going crisis in agriculture and rural areas and responding to the changing international trade environment after the Uruguay Round (1994). However, the response of the Japanese government and the policy shift in the country were remarkably slow as compared to South Korea, for example, which adopted such policy and measures earlier in the 1990s.

The pioneers' expertise helped local farmers upgrade their technical skills and productivity. Organic farmers, who had once been isolated, thus became indispensable human resources in the local community. Naturally, they became more concerned with the problems of local agriculture and the community. Often, these experiences led to the emergence of local initiatives to support organic agriculture, which, in turn, enhanced the opportunities to revitalize the local economy and preserve the natural resources and environment of the community.

Meanwhile, in the early 2000s, the bottom-up movement of organic farmers had a substantial influence on legislators of both ruling and opposition parties, and the Organic Agriculture Act was enacted in 2006. The integrated support policy for organic agriculture was launched subsequently. Further local initiatives were launched along with the new legislation and government policy measures, as evidenced by the formation of "Organic Towns". As of 2011, there were a total of 47 organic town initiatives nationwide.

In each of these towns, an "Organic Agriculture Promotion Council" was established under the leadership of a group of organic farmers. The national network of Organic Agriculture Promotion Councils was established with Yoshinori Kaneko—the leader of Shimosato District (*chiku*) organic farming group and a councilperson of Ogawa Township, Saitama Prefecture—as its first council chair. Many of these organic towns created an umbrella organization to promote sustainable agriculture and address the challenges of the community in collaboration with the community farming organizations, local non-profit organizations, and volunteers. Figure 4 describes the governance structure of Shimosato Council of Farmland, Water and Environmental Preservation, one of the umbrella organizations where Kaneko and his group assume the leadership.

**Figure 1. The governance structure of Shimosato Council of Farmland, Water and Environmental Preservation**



Source: Composed by the authors, based on Seki and Matsunaga (2012), p. 171.

The most advanced of the rural version of producer cooperatives born in the 1970s have also undergone a similar change, developing community-based and community-supported agriculture over time, especially after they acknowledged the new ICA principles.<sup>31</sup> Their activities often went beyond the economic dimension to address environmental and social issues in the community.

Yonezawa-kyo Livestock Farm, in Akita Prefecture, which had grown into a large group organization by the end of the 1990s, incorporating smaller cooperatives (other APCs and limited liability companies), re-organized itself as a stock company in 2006. The farm concurrently succeeded in achieving an integrated recycling system of fodder and manure within the group as a whole. One of its group organizations, Farmers' Club *Akatonbo*, now exists in four small cities and three towns. It is actively in search of a systematic solution to the problems of the community through the support and training of prospective entrants and rural-urban exchange such as farm visits, farming experience, and educational and sporting activities.

In 2004, *Muchachaen*, in Ehime Prefecture, established the "Community Cooperative Muchachaen" (a stock company). It integrated its three group cooperatives: *Muchachaen* (APC), Farmers Union *Honjo* (a limited liability company), and Farmers Union *Tenpo Juku* (a training center and farm). The group has a vision of "the creation of farmers' Utopia". It engages new entrants in organic agricultural training both in the community (Akihama Town, Seiyo City) and overseas (two organic farming training centers in Vietnam). It is also active in work integration for the youth and physically challenged. Its women's section has started community service (food delivery) in 2009. It is a member of Japan Workers' Co-operative Union (JWCU)<sup>32</sup> and Japan Organic Agriculture Association (JOAA).

## 4.2. The development of community farming

### 4.2.1. The formation and characteristics of community farming

In rural areas of Japan, the term "community" traditionally meant a unit of cooperative agricultural activities. These activities included cooperative work in farming; cleaning of roads and waterway; maintenance of common pool resources;<sup>33</sup> preservation of religious and cultural resources; and participation in seasonal and cultural events. The unit's territorial base is a farming "village" (*shuraku*).

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<sup>31</sup> In 1995, the International Co-operative Alliance (ICA) adopted the revised Statement on the Co-operative Identity, which contains the definition of a co-operative, the values of co-operatives, and the seven co-operative principles. The seven principles are: 1) voluntary and open membership; 2) democratic member control; 3) member economic participation; 4) autonomy and independence; 5) education, training, and information; 6) co-operation among co-operatives; and 7) concern for community.

<sup>32</sup> Linking food, agriculture and environment and creating a partnership with concerned producers in agriculture and food business have become core missions of JWCU.

<sup>33</sup> Examples are community forest, storage reservoirs, and hot springs.

Community farming (*shuraku eino*) appeared in the 1970s already, though it proliferated only after 2000. It emerged under the leadership of forward-looking farmers within *Nokyo* /JAs.<sup>34</sup> The *Nokyo*/JA, as previously explained, was an organization providing services to member farm households, and it had not taken the initiative for such cooperative production. This situation led the local governments at the prefectural level to launch a policy and implement measures to support farmers' initiatives.<sup>35</sup> The extent of the promotion and diffusion of community farming depended on the geographical location and socio-economic conditions of the farming communities. It developed mainly in hilly and mountainous areas that are disadvantaged in terms of land-intensive rice farming and marketing to urban areas.

Community farming can be defined as "a farming practice where the majority of the farm households in the community agree upon the common goal of the sustenance of agriculture and engage in the organization of labor force and the collective use of machinery and production facilities in the partial or whole processes of agricultural production, including processing, storage and sales" (Shimane Prefecture 2002). Organizationally, each resident willing to form and join community farming has to become a signatory of the "community farming agreement", after intensive meetings and discussions. A group is recognized as a community farming organization when such agreement is implemented.

The essence of community farming lies in the conservation of farmland and restructuring of rice farming through innovative ways of mobilizing and organizing productive resources. While leaving the ownership of farmland in the hands of each member, the community obtains the right to use the plots that are necessary or desirable to achieve an efficient use of the land as a whole. This enables the community to achieve economies of scale, at least to some extent, and to improve labor productivity. The cooperative use of machinery and cooperative labor help to further enhance productivity. Agricultural labor is more "concentrated" on those full-time farmers who are skilled and experienced in agricultural work as well as on young prospective successors. Those who give up commercial agriculture may retire from farming but remain as members. While receiving rents for their plots, they may take other jobs such as management, administrative and clerical work, or may serve as volunteers during planting and harvesting or weeding and other lighter on-farm work. However, all members are to work collectively to maintain and improve their common pool resources such as farming roads, water-ways, reservoirs, and *satoyama* (traditional landscape in a hilly and mountainous area). Preserving local natural resources and preventing environmental destruction is thus another important feature of community farming.

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<sup>34</sup> These farmers had become concerned with the problem of small-scale farm management and searched for a solution through the collective use of farmland and cooperative production. There were primary cooperatives of *Nokyo* that decided not to join the merger of JA and continued to serve the community in various villages and towns. In these cases, the *Nokyo* cooperative itself facilitated community farming.

<sup>35</sup> According to Kusumoto (2010), among prefectures that positively assessed the potential of community farming and promoted it in its early period are Shimane, Hiroshima, Yamaguchi, Oita, Shiga, Fukushima, and Toyama.

### 4.2.2. The institutionalization of community farming

As the agricultural crisis deepened, in 1999, the national government acknowledged community farming for the first time.<sup>36</sup> The Ministry of Agriculture, Forestry and Fisheries (MAFF) initiated an annual nation-wide survey on community farming in 2005 and began to support organizations meeting certain criteria<sup>37</sup> in 2007. The formal recognition was a mixed blessing, however, as many attempts to form community farming then appeared with the sole aim of exploiting the new subsidies. Moreover, the government policy to foster community farming placed exclusive emphasis on the consolidation of farmland to scale-up the farming operation and make it more “competitive”.<sup>38</sup> While the government encouraged the incorporation of community farming organizations, it did not offer any specific and adapted corporate status for these organizations. To be incorporated, community farming organizations must adopt an existing corporate legal form, such as the agricultural producers’ cooperative corporation (APC) form or a company form (stock company, limited liability company and limited liability partnership).

The number of community farming organizations, and particularly of those with legal personality, has been increasing. According to the latest survey by the Ministry of Agriculture, Forestry and Fisheries (MAFF), in February 2014, there were 14,717 community farming organizations nation-wide. Out of them, 3,255 (22.1%) had legal personality. An analysis based on the corporate status of these organizations shows that the majority (2,803 organizations, i.e. 76.7%) were APCs. The rest were companies (452 organizations, representing 22.3% of the total). They were 424 stock companies (13.0%), and 16 companies with another form (general partnership company, limited partnership company, limited liability company and general partnership company).<sup>39</sup> In total, community farming had consolidated 49.2 million hectares of farming land (33.8 ha per organization).

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<sup>36</sup> The acknowledgment of community farming appeared in the Basic Law on Food, Agriculture and Rural Areas (1999) and its importance was emphasized in the *New Basic Plan for Food, Agriculture and Rural Areas* (2005).

<sup>37</sup> These criteria include minimum scale of operation, current or prospective incorporated status, and minimum agricultural income of main operators.

<sup>38</sup> Shogenji (2010) observes that, in a typical Japanese rice paddy farming operation, an average cost reduction due to an economy of scale can be observed up to around 10 ha, but that it is likely to disappear afterward. “If Japan aimed at making its rice production ‘competitive’ in comparison to the U.S., which has an average acreage of 198 ha per household, the number of farm households would be reduced to one hundredth of what it is now. That would result in the loss of many rural communities and be very costly from a social point of view.” (Shogenji [2010], pp. 150, summarized and translated by the authors).

<sup>39</sup> The majority of “stock companies” are “special limited companies” (a transitory corporate status) that used to be “limited companies”. The “limited company” form was abolished by the revision of the Corporate Act in 2006. These companies can remain non-public stock companies with restrictions on the transfer of shares. They can change this status to that of a public stock company only by resolution and re-establishment.

### 4.2.3. The evolution of community farming in business activities and organizational structure

As community farming practices diffused, the movement started to involve more members within the community. Besides, the “community” itself widened; some community farming organizations included several farming villages,<sup>40</sup> and alliances were formed among community farming organizations. Moreover, both the economic and non-economic functions and governance structure of community farming have evolved over time. Its business undertakings have extended “horizontally” to joint production and diversified “vertically” into neighboring activities. Economic activities came to include community services to meet the livelihood necessities of the community. Changes also took place in internal organizational structure and external relationship.

In the next subsections, we focus our discussion on those advanced cases that explicitly aim to contribute to the community and have acquired some legal status, such as agricultural producers’ cooperative corporation (APCs) and limited liability companies. Most of these cases are observed in hilly and mountainous areas of Western Japan (Kyoto, Shiga, Okayama, Shimane, Hiroshima and other prefectures in Kansai and Chugoku Districts). Shimane Prefectural Government distinguishes these farming organizations from others as “community-contributing farming organizations” or “public interest community farming organizations” (*Chiikikokengata shuraku eino*). Following Kitagawa (2007), we tentatively name such organizations as “community-based agricultural corporations” (*Shurakugata nogyo hojin*).

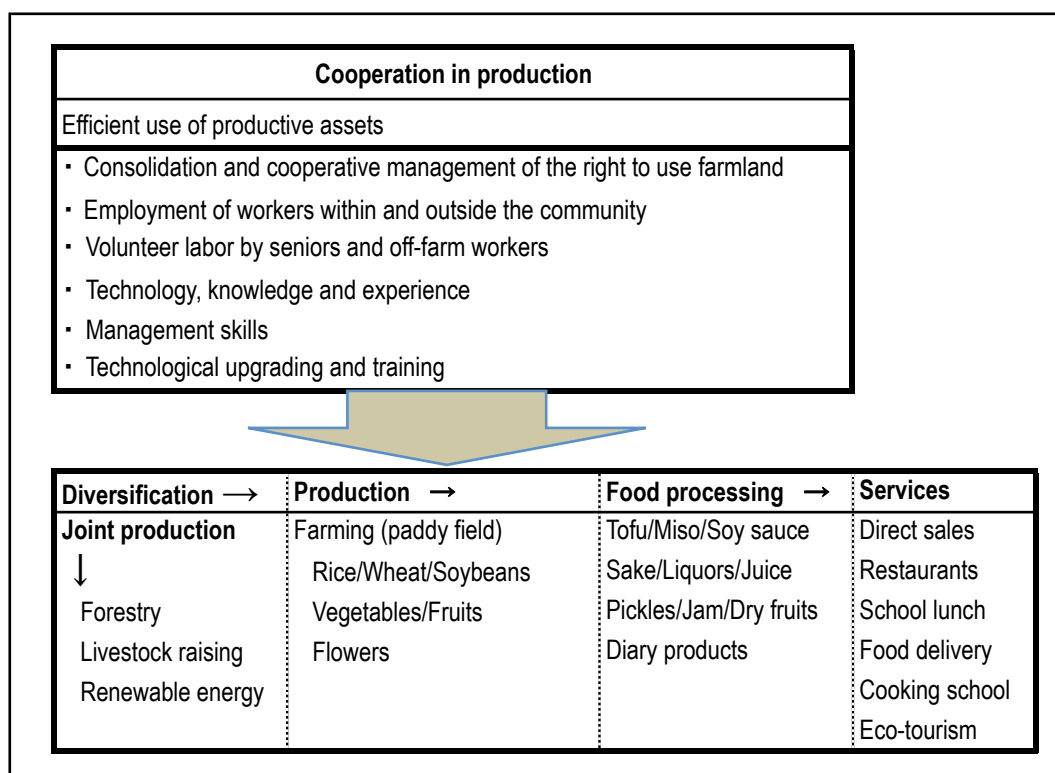
#### 4.2.3.1. Diversification of agro-based activities and creation of community businesses

Economic activities of advanced community farming organizations have diversified rapidly from farming (production) into neighboring activities of sales and processing. These organizations also diversified by engaging in the joint production of other products and activities, such as livestock raising and, more recently, energy saving and renewable energy, thus achieving economies of scope. Previously, farmers relied almost solely on the local wholesale market or *Nokyo*/JAs for the sales and processing of their products, but they now started to undertake these activities by themselves. This move had an important economic implication, because by doing so, they could internalize a much larger portion of the value added. Direct sales in the form of local food stands (*chokubai sho*) or roadside markets (*michi no eki*) spread quickly; they soon became popular among consumers and flourished in many rural areas nationwide. Then, community farming organizations further diversified into the service sector—restaurants, cooking schools, food delivery, and green tourism—by directly connecting with consumers or creating local economic linkages through transactions with small and medium local firms (Figure 2).

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<sup>40</sup> As of 2011, most community farming organizations consisted of a single farming village (74.4%), but there were also bigger ones, comprising 2 to 4 farming villages (18.5%) or more than five farming villages (7.2 %) (MAFF surveys).

Figure 2. Diversification and creation of community business



One salient feature of community farming organizations at this stage was the increasingly important role played by women. Some women engaged in the production of non-rice produce (vegetables, fruits, mushrooms, flowers, etc.), forming their own producers' cooperative, but many others took up related activities of sales and processing. More recently, female entrepreneurship has been increasing in the field, for example under the form of rural-urban exchange (farm restaurant, tourist farm, lodging, etc.). Seki and Matsunaga (2011) pointed out that food processing, direct sales of farm produce and processed food, and rural restaurants were the three major economic activities undertaken by rural women. These activities constitute "community businesses" that provide rural women with precious opportunities to generate income and be self-reliant. In fact, women have become major players in community businesses.

Traditionally, rural women were engaged in agricultural work with men while also being responsible for housework and childcare. With higher level of education and improved civil rights for women after the war, however, they experienced active involvement in rural industries and in the "rural life improvement movement" (*noson seikatu kaizen undo*).<sup>41</sup> During the high-growth period (1953-73), when the male household head took off-farm employment in manufacturing or construction, women who stayed behind took the

<sup>41</sup> The basic objective of rural life improvement was to support farmers in their efforts to improve farm management and at the same time manage the household's lives based on democratic principles such as equality of men and women. Together with *Saemaul Undong* (the "New Community Movement") in the Republic of Korea, the rural life improvement movement was regarded as one of the most successful movements for improving rural livelihoods in Asia in the post-World War II period.



responsibility for laborious rice-farming labor with elderly members of the family. After the mid-1970s, they, too, began to take part-time jobs in local factories in textiles and garments or other labor-intensive industries. After the mid-1980s, rural industries disappeared (they were relocated in East and Southeast Asian countries), at the same time as farming, due to mechanization, started to require less female labor. Then, women began to be engaged in new economic activities, other than rice-farming.

The expansion of women's economic initiatives reflected rural women's desire for self-reliance and autonomy. Female entrepreneurship gradually became driven also by women's interest in local development based on agriculture-related activities. Women began to establish a direct trading relationship with local producers and sometimes with schools (school lunch program). Occasionally they developed new mutual help-type social services with the explicit intention of community revitalization. While the community-based, endogenous development approach emphasizes the formation of social capital of various forms as the essence of capacity building, "a key concern is whether such 'collective' capacity building is compatible with participation and social inclusion of excluded individuals" (Shucksmith 2003). The creation of female entrepreneurship in rural areas is crucial for addressing this issue.

#### 4.2.3.2. *Community services and other activities*

During the 2000s, acute needs appeared in rural communities for the provision of social services and daily necessities. While rapid aging increased the demand for health, elderly care, and other social services, the traditional role of the family and neighborhood associations became considerably weaker. However, local governments, often burdened by debt and under stringent budget constraints, decreased the supply of important public services such as healthcare, education, child care and local transportation. Moreover, the decline in resident population and hence in their customer base forced local clinics, shops, restaurants, bus and taxi, and other services out of business. In particular, the Heisei municipal mergers which took place during the 1999-2009 period and the closure of JA branches due to the broad-area mergers of JA cooperatives had a serious impact on the maintenance of rural life. Public facilities and service providers such as elementary schools, hospitals, and community centers were either closed or merged. As the retail shops of JAs, which had become the only ones of their kind, terminated their activities, residents suffered from a lack of shopping places to purchase food, clothing and other daily necessities.

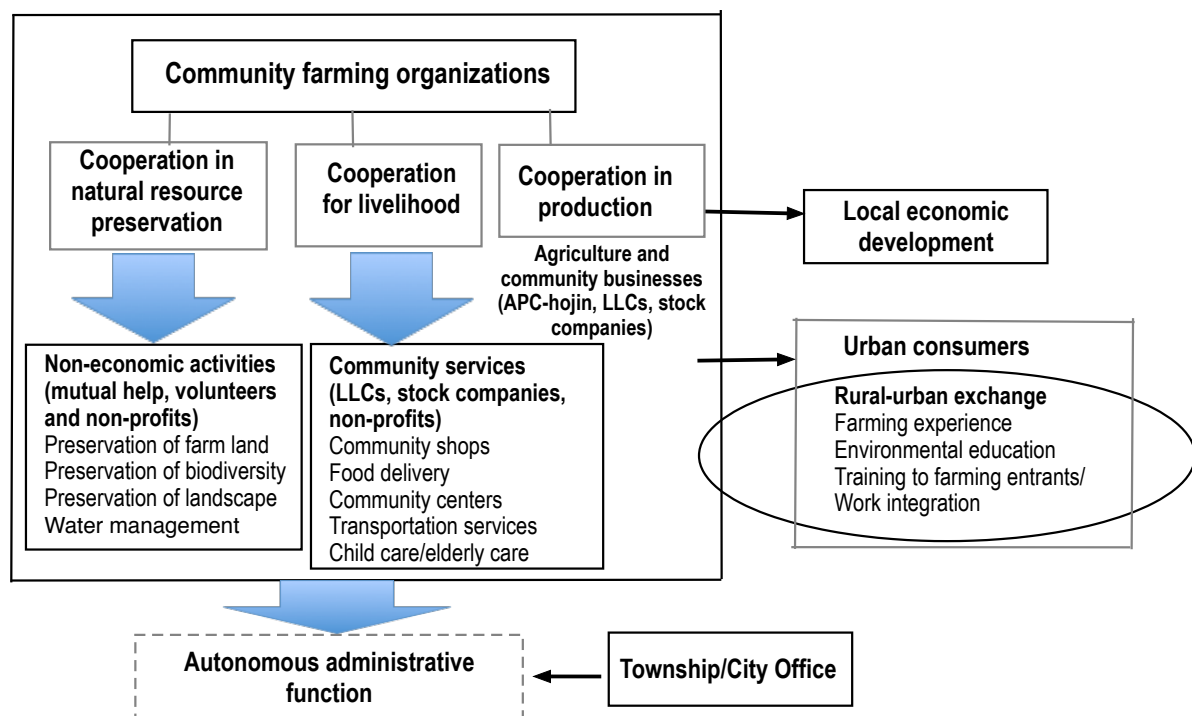
Under these circumstances, it does not seem surprising that community farming organizations expanded activities to these new areas and became willing to involve non-farm household-members. Individuals and citizen groups, including many women, within the community or from neighboring areas, responded to these challenges by creating their own community services. Small retail "community shops" for food and daily necessities were popular among them. In Shimane Prefecture, community farming organizations engaged in food delivery, funeral services, gasoline stands, taxi services, management of public facilities (such as forest parks) and workshops for handicapped people (Odagiri 2009). Most of these organizations were also found to engage in recruitment, assistance and training of new entrants in farming, environmental protection (such as reintroduction and conservation of species that had disappeared from the local area), and preservation of traditional culture. The prefecture implemented a scheme with its budget to encourage "community farming organizations contributing to the community" (*Chiikikokengata shuraku eino*) (2011-2013). Kitagawa (2007) described such organizations as "community-based agricultural corporations" (*Shurakugata nogyo hojin*).



#### 4.2.3.3. Changes in organizational form and governance structure

Community farming at the more advanced stage suffered from an important organizational problem. Indeed, while the legal form of agricultural producers' cooperative corporation (APC) was suitable for cooperative production in agriculture, its undertakings were strictly limited to agriculture and "related activities" by the law.<sup>42</sup> Therefore, members engaged in community farming initiatives often had to adopt different legal forms when they expanded their activities to community business and community services. Most of them established a company by residents' investment in addition to the existing APC or changed the APC's legal status to that of company. Doing so allowed for more flexibility and enabled them to cover a variety of activities other than agriculture-related production. When some members or non-member residents, outside the APC, had already created some community business, a collaboration with this group or organization took place. As a result hereof, the more advanced stages of community farming have been accompanied by a change in internal organizational structure and an expansion of external relations. Figure 3 describes the evolution of community farming.

Figure 3: Evolution of community farming organization



Source: Composed by the authors

<sup>42</sup> There were also restrictions on membership and workers, to the extent that an APC must include a minimum of three farmer members, and at least one third of all workers must be members.

### 4.3. Local initiatives by community autonomous associations

#### 4.3.1. The Heisei mergers and the creation of community autonomous associations

The Heisei municipality mergers—i.e. the amalgamation and dissolution of municipalities in the 1999-2009 period—hit the rural areas (villages and towns) particularly hard. The number of rural municipalities decreased drastically, by nearly two-thirds, in this period (from 2,558 rural municipalities to 935). Besides, 85% of the rural municipalities affected by the mergers were located in hilly and mountainous or remote island areas. The mergers virtually implied the “restructuring” of these disadvantaged areas (Odagiri 2009). An assessment report published by the National Association of Towns and Villages in 2009 identified the problems linked to the mergers as “loss of vitality, loss of tradition and culture, decline in public service, and weaker voice of citizens”.

When small municipalities merge into a big one and the jurisdiction of the latter expands, residents become distant from the new municipality. Consequently, in order to support the weakened function of maintaining natural resources, social capital, and local administration, people need to build “self-governing power” in smaller autonomous units (Hoshino 2004). Local initiatives thus emerged to address the new challenges by creating community (or local) autonomous associations (*Chiiki jichi soshiki*). Most of them were newly formed, independently from traditional neighborhood and community associations. Adopting a variety of names, such as “community promotion council” (*Chiiki shinkokai*) and “town management council” (*Machizukuri kyogikai*), all these organizations shared a common goal of community revitalization and development; they were comprehensive in their functions, exhibited democratic governance, and involved multiple stakeholders.

The territorial base of the “community” in this context is roughly equivalent to an “administrative village” (*son*) before the Heisei merger. It normally refers to an elementary school district including several farming villages. The community autonomous association represents the whole community through a democratic process and assumes important public and administrative functions in partnership with the new municipal government resulting from the merger (i.e., typically, the city [*shi*]). Often, a “district”, or “ward” (*ku* or *chiku*) and its representative serve as an interface between the community autonomous association and the municipal government. A district in this context is a legal entity<sup>43</sup> regulated by the revised Local Autonomy Act or the Special Law on Municipality Mergers, emulating a traditional “property ward” (*zaisanku*).<sup>44</sup> Districts can inherit some important assets such as a community center from the pre-merger administrative unit (e.g. the town [*cho*] or the village [*son*]) and assume

<sup>43</sup> Legally, the district can be either a “special ward” (*chiiki tokubetsuku*), a “special autonomous ward” (*chiiki tokubetsu jichiku*) or a “local relationship organization” (*Chien dantai*).

<sup>44</sup> “Property wards” (*zaisanku*) appeared in the modern history of Japan as a corporate status granted to the community units below the level of municipality, which cannot in principle own land and other properties, so that they could continue to own their assets (common pool resources such as forest, reservoirs, wildland, springs and fishing rights) or public facilities (waterway, public hall, community centers, etc.) when local authority borders were altered through amalgamation of villages and towns (*gappei*) or other processes. Property wards are regulated as one kind of special local public bodies under the Local Autonomy Act.

administrative functions within a limited range. The district representative (*kucho*) is to be elected by the residents.

Community autonomous associations became the core organizational form within communities; they acted as a coordinating body of existing cooperatives, companies, and other local organizations, and assumed various economic and non-economic functions on their own. Economic functions included investing in resident-owned companies and starting up their own community business and services, such as management of community centers and parks, creation and operation of historical and cultural museums, green tourism and local transportation services.

### ***4.3.2. Illustrative examples of community autonomous associations***

There are currently community autonomous associations in most prefectures in Japan. The government recognized their role after the mid-2000s. Accordingly, some ministries have published reports including “best practices” of such organizations; this is the case of the Ministry of Agriculture, Forestry and Fisheries (MAFF 2007); the Ministry of Internal Affairs and Communications (MIC 2009); and the Ministry of Land, Infrastructure, Transport and Tourism (MLIT 2009). Successive surveys have also been taking place.

In this section, we present two cases that constitute good examples of such community autonomous associations.

#### *4.3.2.1. Kawane Community Promotion Council*

The Kawane Community Promotion Council in Takamiya Town in Hiroshima Prefecture is one of the earliest examples of community autonomous associations. In the early 1970s, the Kawane District (*chiku*), which was distant from the center of the town, faced problems linked to population outflow, a merger of schools, and welfare of the aged. The Kawane Community Promotion Council was thus established in 1972, after a flood caused by heavy rainfall hit the district, by a group of concerned residents. With a mission to “revitalize and develop the community through solidarity among members”, the council played a central role in the town’s recovery efforts and extended its activities to life improvement of the community. As more and more residents joined the Council, it became an autonomous association with the participation of all households in the community in 1977. The council model spread rapidly, leading to the creation of a similar organization in all seven districts of Takamiya Town. The council formulated the “Rainbow family village plan” in 1988 and made rural-urban exchange its core strategy of community development. The town succeeded in establishing parks, eco-tourism, cultural, sporting and other facilities in each district as the base of various activities.

By the time Takamiya Town merged into Aki Takada City with another five towns, in 2004, most of the current 32 community promotion councils, covering the whole city, had already been organized. Each council became an umbrella organization that coordinated a variety of economic and non-economic functions. These functions included community farming; development of processed food and other products made from local produce; management of a resident-funded marketplace that makes use of a former JA shop building; operation of a lodging and training center, “Eco-Museum Kawane”, which makes use of a former elementary school building and ground; construction of municipal housing; and promotion of new entry and settlement of young people.

According to the findings of Hoshino (2004), one of the most important lessons from the Kawane case is the organizational and operational principle of the community promotion council and its good partnership with the Takamiya Township Office. First, under the sophisticated guidance of the town government, the councils were established independently from the traditional local associations. This discontinuity prevented the new councils from replicating the power structure of old villages. Secondly, the town government, at the same time, honored the self-determination and self-governing process of the residents. This process empowered the councils and enabled them to avoid becoming some kind of “subcontractors” of local authorities. An annual round-table conference that the then town mayor initiated in 1980 played a major facilitating role for the official dialogue between the town government (the mayor and senior administrators) and residents. Eventually, the Kawane Council has evolved into a problem-solving autonomous association. It has become an equal partner to the town, which can implement its policy and manage economic projects.

#### 4.3.2.2. *Community Promotion Councils in Miyama Town, Kyoto Prefecture*

Miyama Town, Nantan City, is located in the center of Kyoto Prefecture; it is a typical mountainous town with a small population (less than 5,000) and the largest area of the prefecture. It provides a good example of the evolution of community farming over time and of the role of community autonomous associations and public-private partnership.<sup>45</sup> In 2006, Miyama Town merged into Nantan City with three other towns, but the nature of the councils and partnership has remained the same.

Miyama has experienced rapid depopulation and aging. Its population peaked in 1965 with 10,000 persons but then declined to 5,000 persons in the mid-2000s. The share of the elderly (aged 65 and above) in the total population was 32.6% in 2001—a figure almost twice as high as the national average (17%). But the town also has rich cultural resources, including 250 famous traditional Japanese thatch-roofed (*kayabuki yane*) houses that have been maintained for centuries (the town has the highest preservation ratio in the country), and it has been successful in attracting visitors and tourists from urban areas through the promotion of rural-urban exchange. The annual number of visitors to the town increased from 120,000 in 1985 to 410,000 in 1995, and reached 540,000 in 2001. With its township ordinance on the renovation of aesthetic town and streets, the town promoted harmonious community development with historical heritage and traditional rural beauty.

The evolution of endogenous community development in Miyama can be divided into four stages.

The first stage (1978-1988) was characterized by the promotion of agriculture in community farming. A variety of farming and other agriculture-related activities such as the processing and marketing of local specialty produce were carried out by community farming and other resident groups with strong engagement of residents.

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<sup>45</sup> This subsection owes much to Shiraishi (2007) and Shoji (2004). Additional information was obtained from various government reports, articles in local journals and the websites of Miyama Town and its *chiiki shinkokai*.

The second stage (1989-1992) was the period of active rural-urban exchange and community renovation. Miyama Town Traditional Housing Preservation Fund was founded with the participation of intellectuals from Kansai Area (mainly Osaka and Kobe). Many other activities to preserve local cultural resources and to promote the rediscovery of *densho* (patrimony) took place. The joint stock company "Miyama Hometown Corporation", which promotes and assists the settlement of prospective residents, was established in 1992 as a joint venture with the township government. It was successful in accommodating a number of settlers from urban areas despite the strict obligations and rules for the preservation of the traditional landscape of the town.

In the third stage (1993-1998), Miyama Town developed eco-tourism and other new industries. The town laid out a plan of the "model community" to develop comfortable rural living space and promote the settlement of prospective successors in farming and of young people. It promoted a new type of beverage industry by establishing a second stock company to produce and market mineral water, green tea and other products. These economic projects contributed to an increase in employment and encouraged in-migration. It was also a time when a variety of new volunteer activities started, particularly after the Hanshin-Awaji Earthquake (1995).

The fourth stage started in 1999; it has been characterized by the role of Community Promotion Councils (*chiiki shinkokai*). Due to the far-reaching merger of JA agricultural cooperatives, the JA branch of Miyama Township was abolished in 1999, and the JA-operated only retail shop in each district closed down. With investment funds from the community, a group of residents took over and revived these shops as limited liability companies (four companies during the 1999-2002 period). These companies later extended their business to cover farmland conservation and social services. In 2000, the Miyama Town Office proposed the establishment of community promotion councils in its five districts (former administrative villages [*son*]), thus consolidating the existing three neighborhood and community organizations. Consequently, each district held several town meetings, and the residents decided to establish a community promotion council. These community promotion councils shared a common goal of "becoming the Number One *inaka* (countryside) in Japan". They aimed to enhance the quality of life of the residents, to identify the challenges they faced, and to promote revitalization of the community by the community.

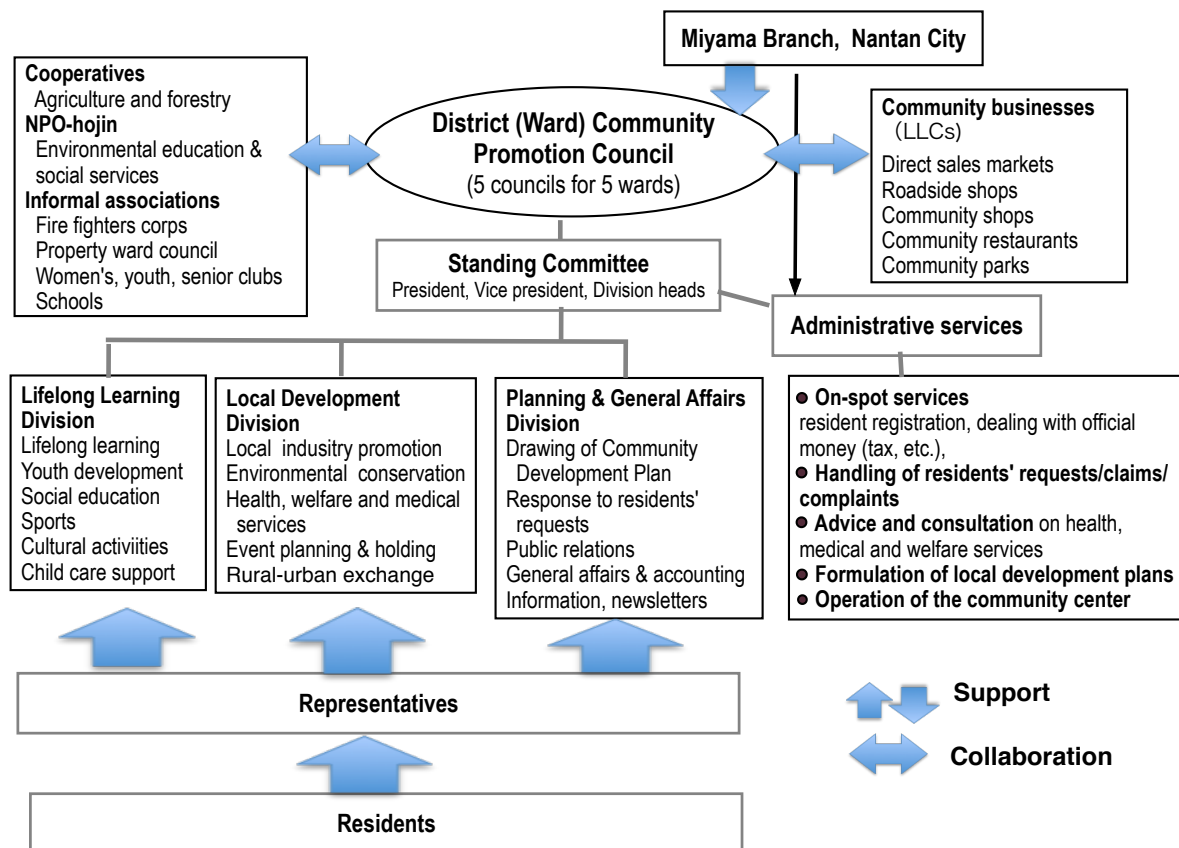
The community promotion councils were born out of a new type of public-private partnership. It was a novel approach to autonomy and cooperation through the revitalization of "old villages" (*son*). The Miyama Town Office (now Miyama Branch, Nantan City) provided support in the form of financial and human resources and dispatched the director and a staff of the secretariat to each council; they supported the activities of the councils and directly provided residents with administrative services.<sup>46</sup> In 2006, as already mentioned, Miyama Town merged into Nantan City with three other towns; the five community promotion councils then formed an alliance organization, the Miyama Community Development Committee. However, the characteristics of the partnership and governance structure of the community promotion council in each district have remained basically unchanged. Figure 4 shows the typical governance structure of the community promotion councils.

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<sup>46</sup> These services include the issuance of residence certificates, sales of town bus passes and tickets, processing of application for national pension and health insurance, and operation of the community center.

The community promotion council in each district has three functional divisions (local development, planning and general affairs, and lifelong learning), the staff of which have been recruited among residents. The standing committee is composed of a president, a vice president and the heads of each division, who are elected among residents. The three divisions coordinate specific economic functions and community activities<sup>47</sup> in collaboration with a variety of local organizations: agricultural producers' cooperatives and forest cooperatives; traditional volunteer associations such as firefighters companies (*shobodan*) and property ward management association; and a newer type of non-profit organizations (mostly NPO-*hojin*) and volunteer groups.<sup>48</sup> Meetings and daily activities mostly take place at the community center, and the center accommodates retail shops and a market place for local specialties as well. Table 2 provides the financial situation of community promotion councils in each district.

Figure 4. The governance structure of district community promotion councils in Miyama Town



Source: Miyama-cho Hiraya Community Promotion Council

<sup>47</sup> For example, the industry division of the council is engaged in conservation of farmland, recruitment of farmers and farming operators, operation of farm visits, and guidance and training in farming.

<sup>48</sup> As of 2004, there were 22 volunteer groups in the town and about 500 members (10% of the total residents) were registered. Middle-aged women played a central role among these volunteers. The activities were mostly mutual help such as snow removal, garden cleaning and community services. Some community services have subsequently developed into NPO-*hojin*.



Table 2. Financial situation of Kyoto Miyama community promotion councils (FY2010)

	Population	Total amounts (thousand yen)	Unit: thousand yen (10 dollars)			
			Total amounts (\$)	Subsidy from Nantan City (%)	Membership fee (%)	Other (%)
Chii District Council	778	4,080	43,871 - 50,370	36.8	27.4	35.9
Hiraya District Council	956	3,880	41,720 - 47,901	38.7	20.9	40.5
Miyajima District Council	1,189	5,480	58,925 - 67,654	27.4	24.0	48.7
Tsurugaoka District Council	890	13,020	140,000 - 160,741	11.5	11.4	77.1
Ohno District Council	913	5,100	54,839 - 62,963	29.4	23.5	47.1

Note: Other resources are commission income, user charges from community facilities, grants, etc.

Source: Nantan City, Kyoto Prefecture

Community promotion councils in Miyama Town constitute a well-known case of local autonomous associations. The town has been successful in leveraging its rich natural and cultural resources. It has attracted about 700,000 tourists from the neighboring Kansai area (Kyoto, Osaka, and Kobe), and tourists from overseas (mainly Taiwan and China) joined in the last few years. However, despite the efforts of the councils and related organizations and citizens, the net in-migration that had appeared in the 1990s no longer exists. Aging has become more serious, with each district's average aging rate reaching almost 40% as of 2010. Capacity building and human resources development for prospective successors of the first-generation activists as well as the inflow of the young generation are pressing challenges.

## 5. THE THREE MODELS OF RURAL SOCIAL ENTERPRISE: CONVERGENCE AND DIVERGENCE

In the previous section (Section 4), we explored the emergence of community-oriented rural enterprises from the point of view of their historical origin and driving forces. We want to see now whether we can consider these enterprises as "social enterprises", and attempt to provide a preliminary typology of rural social enterprise models with reference to the EMES conceptual approach of social enterprise. The most distinctive feature of the EMES approach is that it is deeply rooted in the European tradition of the social economy. In particular, unlike the non-profit "third sector" approach in the US, it identifies social enterprise as new entrepreneurial dynamics at the very heart of the social economy sector, including not-for-profit and public benefit-oriented cooperatives, primarily arising in response to social needs that were inadequately met, or not met at all, by public services or for-profit enterprises (Defourny and Nyssens 2013).

In Japan, there is a long history of cooperatives and cooperative movements. Cooperatives have traditionally been very popular and still remain widely accepted in society. The notion of "social economy" from Europe has become known among both academics and practitioners in the cooperative sector since the early 2000s. Increasingly, socially and environmentally-oriented cooperatives such as worker cooperatives, "workers collectives", and "green" consumer co-ops began to develop a common sense of belonging to the "social and solidarity economy". Some of them identify themselves as "social enterprises", but more often, they use the term "non-profit cooperative" to emphasize the not-for-profit and public interest-oriented characteristics of their organization. These are novel aspects that distinguish them from traditional social economy organizations such as agricultural cooperatives and consumer

cooperatives. To date, however, this new type of social economy organizations has been recognized as a predominantly urban phenomenon. Although the recent surge of various endogenous economic activities in rural areas has drawn considerable attention by researchers, little attempts have been made to analyze this from the perspective of social economy and social enterprise. Our findings demonstrate that there exist many social enterprises in rural areas; they have emerged as “existing social economy organizations reshaped by new entrepreneurial dynamics”.

Table 3 provides a summary of the characteristics of the three organizational types or models of rural enterprises we discussed in section 4. These three models appeared at a different time, in different places and with different historical backgrounds, and they evolved from different initiatives.

The first model of rural social enterprise corresponds to the producer cooperatives and farms that arose from the early organic farmers and progressive agricultural producers’ cooperative corporations (APCs [*nojikumiai hojin*]) in the 1970s and 1980s. The second model evolved from community farming organizations that were formed by conscious farmers within the agricultural community in the 1990s and 2000s. They are called “community-based agricultural corporations” (*Shurakugata nogyo hojin*) or “public interest community farming organizations” (*Chiikikokengata shuraku eino*). The third, newest model is the community autonomous association (*Chiiki jichi soshiki*), which was created on the initiative of concerned citizens in the community in partnership with local public authorities.

Defourny and Nyssens (2012) provide the latest version of the EMES conceptual approach. The revised definition of social enterprise includes three dimensions: an economic and entrepreneurial dimension, a social dimension (primacy of the social aim), and a participatory governance dimension, with each dimension comprising three sets of indicators. In the case of a cooperative, which exhibits most of the key characteristics of social enterprise in itself, a crucial distinction from traditional social economy organizations lies in the nature of social innovation, including the dynamics of their governance structure. In our typology, the first two types of rural enterprises are basically cooperatives or “new social economy organizations”, as stated above, while the third type represents an entirely new type of entities.

Regarding the first type of rural social enterprises, i.e. producer cooperatives and farms in organic or natural farming, their social mission, originally rather confined to health and food safety, has been extended to the revitalization of local agriculture and community through sustainable agriculture. These enterprises state a variety of objectives and functions, but they mostly remain agriculture-based. Therefore, conceptually, we may regard these enterprises as “single functional”. As to social innovation, the original *Teikei* was an innovative method of uniting producers and consumers and of promoting co-production through trust and mutual support relationship. Later this method has expanded to include a similar relationship between organizations, e.g. between producer cooperatives and consumer cooperatives, and rural-urban “fair trade”. Their contribution currently focuses on the creation of a broader sense of “community-supported agriculture” or community-based alternative food systems.



Table 3. Summary of community-oriented rural enterprises

Type of organization	Organic & natural producer cooperative/farms	Community-based agricultural corporation	Community Autonomous Association
<b>Initiative and years of creation</b>	An individual/A group of citizens 1970s and early 1980s	A group of residents in the community (e.g. village) 1990s and 2000s	Residents in the community + Municipal government 2000s
<b>Background/ Driving force</b>	<b>New cooperative and citizen movements</b> Environmental degradation; unsafe food; unsustainable production and consumption	<b>Community farming</b> Problems in agriculture; declining role and functions of traditional agricultural cooperatives (Nokyo or JA)	<b>Responses to community disintegration</b> Loss of community vitality and decline in community functions; <i>Heisei</i> mergers of municipalities
<b>Main location</b>	Rice producing plain field in the Northeast, North, East, and <i>Shikoku</i> regions of Japan	Disadvantaged hilly and mountainous regions in the West ( <i>Kansai</i> and <i>Chugoku</i> )	Disadvantaged hilly & mountainous regions
<b>Social enterprise model</b>	<b>Community cooperative</b>	<b>Community cooperative (Social cooperative or public benefit cooperative)</b>	<b>Community cooperative (Community development corporation)</b>
<b>Social mission</b>	Revitalization of local agriculture and community through sustainable agriculture	Preservation of farmland, revitalization of local agriculture, and securing livelihoods	Revitalization of community and securing livelihoods through mobilization of community resources and citizen engagement
<b>Objectives/ Functions</b>	<ul style="list-style-type: none"> <li>• <b>Sustainable agriculture</b></li> <li>• Food safety &amp; health</li> <li>• Natural resource conservation</li> <li>• Environmental protection</li> <li>• Cooperative production</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Cooperative agricultural production</b></li> <li>• <b>Community business</b></li> <li>• <b>Community services</b></li> <li>• Natural resource preservation</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Community revitalization</b></li> <li>• Community capacity building</li> <li>• Provision of community services</li> <li>• Community business</li> </ul>
<b>Types of social innovation</b>	<ul style="list-style-type: none"> <li>• <b>Teikei and community-supported agriculture</b></li> <li>• Producer-customer co-production</li> <li>• Rural-urban fair trade</li> <li>• Creation of local food system through sustainable agriculture</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Community farming</b></li> <li>• Mobilization and organization of local productive resources</li> <li>• <b>Women entrepreneurship</b></li> <li>• Creation of income opportunities for women</li> <li>• <b>Collective action</b></li> <li>• Preservation of natural resources and environment</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Public-private partnership</b></li> <li>• <b>Multi-stakeholder involvement</b></li> <li>• <b>Citizen engagement</b></li> </ul>
<b>Governance structure</b>	Group of social entrepreneurs; cooperative	Cooperative or a group of cooperatives in a community	Municipal government and local autonomous councils; other private and voluntary organizations
<b>Networks (collaboration with external organizations)</b>	<b>Collaboration</b> with consumer groups and natural food co-ops; worker cooperatives; advocacy organizations (local/national/overseas) <b>Collaboration</b> with local companies; local government (village/town);	<b>Collaboration</b> with other agricultural corporations, community farming organizations, neighborhood and voluntary organizations and schools; Nokyo (JA) cooperatives; and local government (village/town)	<b>Coordinating body</b> for cooperatives, companies, civic organizations and citizens in the community <b>Collaboration</b> with non-profit organizations and universities
<b>Legal status</b>	APC; Special LLC; stock company; Unincorporated Individual farm	APC; Special LLC; stock company	Local relationship organization; NPO-hojin; general incorporated association; unincorporated

In the case of the second model, which evolved from community farming, the enterprises' social mission and functions have expanded over time. Their functions extended from cooperative farming to community business and community services; they have become "multi-functional" over time. Accordingly, their original aim of farmland preservation evolved to include the revitalization of local agriculture and securing livelihoods for the community. The social innovation of this type of enterprise can be characterized in the following four aspects:

- efficient and equitable way of mobilizing and organizing productive resources such as farmland, capital and labor (farming and non-farming, paid and non-paid);
- creation of income opportunities and employment through community business and the provision of essential services for livelihoods (community services) in a disadvantaged area;
- women entrepreneurship and empowerment of women through community business and community services;
- collective action in the preservation of natural resources (including common-pool resources), environment, and biodiversity.

Kusumoto (2010) describes the "most advanced cases of community farming organization" as having "three pillars" of cooperation (*kyodo*), that is, cooperation in production, cooperation in the preservation of natural resources and environment, and cooperation for livelihoods. As such, Kusumoto goes on to refer to these organizations as a new kind of "social cooperative". The current use of this term in Japan may refer to realities that differ from social cooperatives in other countries such as Italy, other European countries or South Korea, which are focused on work integration and employment. However, as cooperative organizations of this type exhibit new and innovative responses to the pressing needs of the community, we may call them "social cooperatives".

The third and latest model, that of "community autonomous association", is the most encompassing model in terms of organization's mission, functions, and governance: revitalization of the community is the very reason for their existence. They serve the community at large and are directly engaged in the provision of a variety of economic and social services of general interest. Most of their economic projects have a public nature, such as eco-tourism development and management for the whole community, operation of community centers and provision of lifelong education, historical and cultural museums and shops, community specialties development and marketing, and community transportation. These activities are indispensably connected with other, non-economic functions of preserving historical, natural and cultural assets of the community and human resource development. Social innovation in organizations of this type is characterized by the capacity building of the community through a public-private partnership, multi-stakeholder involvement, and citizen engagement. Therefore, we can describe this new and distinct type of social enterprise as "community development corporation".

In fact, these three types, even though conceptually distinct, are often empirically indistinguishable. They are not mutually exclusive. As seen in the case of Miyama community promotion councils, the "community development corporation" model often emerged as an evolution of community farming or community farming combined with new social ventures from non-agricultural activities in the community.

There is no specific corporate status for these three types of rural enterprise. They currently have to “borrow” existing legal forms. Agricultural producers’ corporation (APC), special limited company (special LLC)<sup>49</sup> and stock company are three legal forms commonly used by the first two types. The last option is expected to be chosen more often now as the government recently made it administratively easier for APCs to change into the company form.<sup>50</sup> The lack of a specific and adapted legal form is most severe in the case of community autonomous associations, which are multi-functional and multi-stakeholder organizations. Some have a status of “local relationship organization” under the Local Autonomy Act, and others are non-profit organizations, such as NPO-*hojin* and general incorporated associations. Many community autonomous organizations remain unincorporated because there is no appropriate legal status for such organizations.

Thus, there are similarities and differences among these models, but on some important aspects, the distinctions are becoming blurred. Indeed, a salient feature of these enterprises is the dynamic nature of their innovative efforts and organizational structure. The changing nature of these enterprises is increasingly divergent from their corporate status, which is fairly restrictive, segmented and strongly regulated by the law.

Despite their differences in origin and legal form, all three models respond to the ongoing crisis of agriculture and rural communities in one way or another, addressing the pressing needs of local people. The most advanced and influential types of these enterprises seem to be converging to each other in such a way that they increasingly become “whole community-oriented”, aiming at community revitalization and development. They are created on the initiative of a group of citizens in the community and share the common goal of local revitalization and sustainable community development. “Rediscovering” and mobilizing community resources or assets of broader types (physical, financial, human, natural/cultural and social capital), they provide various types of quasi-public “community goods”, and demonstrate an evolving model of self-governance. Besides, the community is transforming itself to become more open and inclusive. In this sense, all three types can be considered as “community cooperatives”.

## CONCLUSION: “COMMUNITY COOPERATIVE” AS A NEW MODEL OF SOCIAL ENTERPRISE?

Within social economy literature, there are many theoretical and empirical analyses about cooperatives in general and cooperatives in agriculture in particular (Spear 2004, Borzaga 2012, Defourny and Nyssens 2012, 2013, etc.). However, in this time of globalization and tremendous social change, existing studies about models of cooperative enterprise in rural communities remain scarce. Our study, including future research, aims at closing this gap.

Mori (2014) discusses the prospects of “community cooperatives”. His arguments draw on the examination of historical energy cooperatives as well as today’s renewable energy source cooperatives (REScoops) and other community-oriented cooperative enterprises in Italy, UK and other European countries. In fact, when the concept of social enterprise was introduced in

<sup>49</sup> See footnote 39 for this legal status.

<sup>50</sup> The revision of the Corporate Law (2005) also made the establishment of a joint stock company fairly easy: only a simple procedure, without any capital investment, is required.

Japan, in the early 2000s, it was mostly based on the Scottish “community cooperatives” and UK “community interest companies” (Nakagawa 2005, Nakagawa et al. 2008, and others). The findings of our study seem to support the hypothesis that the latest kind of rural enterprises in Japan constitutes a new model of social enterprise, which may be referred to as “community cooperative”.

Currently, in Japan, there is no legal form available for social enterprise in general and new types of cooperative enterprises (such as energy cooperatives or cooperatives of multi-functional and multi-stakeholder nature) in particular. There have been strong arguments (e.g. Odagiri 2009) and attempts since the mid-2000s to legalize community-oriented social enterprises such as those discussed in the present study. These arguments peaked in 2009 with the preparation, by the leading Liberal Democratic Party (LDP), of the bill for Community Activities Basic Act and the incorporation of community autonomous councils. The subsequent political environment, including the changes in the government administration (the Democratic Party won the elections in 2009, and was replaced again by the LDP in 2012), has hitherto hampered further development. However, positive discussions and debate are still going on among some academics and practitioners.

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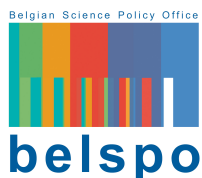
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