

**Considering Policy Design for Less-Favoured Areas Experiencing Shrinking Population:
A Comparison between Japan and Europe**

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1. Direct payment system for hilly and mountainous areas in Japan

(1) Direct payment system for less-favoured areas in West Europe and Japan

As represented by Britain, home of less-favoured areas policies, many less-favoured areas (LFAs) in Western Europe have one thing in common: few farmers engage in extensive livestock farming or other kinds of farming and use or manage large areas of farmland. Direct payments in these areas have brought what can be considered an income compensation effect for farmers (for example, about 10% of the amount of the direct payment system for hilly and mountainous areas in Japan) even though the actual value of the payment is relatively small.

On the other hand, numerous small farming households in Japan have maintained terraced paddy fields on land that is on complex terrain. In Japan, direct payments for such paddy fields cannot be expected to enjoy the effects of income compensation such as that of Western Europe, even when the value of the fields is very high.

This was a major obstacle for Japanese agricultural authorities in trying to introduce Western-style LFA direct payment policies. Japanese agricultural administration allocated as much of the individual subsidies as possible to cooperative activities. By turning the subsidies into funds flexibly designed for farmland management, they tried to develop a regional system of support for resource management at a community level. The system of direct payment for hilly and mountainous areas helped raise, to some extent, motivation for prevention of abandonment of cultivation as well as produced many good results, such as cooperative activities and community agreements, and formed social capital through the management process. This is a significant result of this system.

(2) Shock of the coming of population limitation

Population is an important factor in comparing LFA issues in Japan with those in Western Europe¹. In Japan, many people began to move from farming and mountain villages to urban areas in the 1960s, leading to depopulation which lasted for nearly five decades. The rapid progress of this natural population phenomenon is now coming to a close. What is left is an enormous reduction and aging of the population (“population limitation”). This could be so devastating as to possibly lead to a loss of physical foundations for new challenges and spoiling all efforts made by our forerunners.

¹ Needless to say, differences in their need for village-wide water management and between paddy-field farming (in which management of mowing etc. is troublesome) and grazing stockbreeding are also important.

In Western Europe are some less-populated areas including depopulated areas such as Highland in Scotland. Many of these areas have not experienced a long or serious drop in population. This is because of big differences between Japan and Western Europe in industrial location and land conditions. One of the factors may be the fact that the direct income compensation of LFAs has satisfied their aim of maintaining a minimal level of population necessary. Facts like this clearly show how unique Japan's difficulties are.

In the long-term, hilly and mountainous areas in Japan may have a bright outlook under the shift of industrial structure, such as the departure from heavy and chemical industries. However, it is still difficult to avoid the wave of depopulation at present.

After seeing many "good examples," the media worries about a possible shortage of people to inherit the product of these efforts and about how to handle it. A system of training local farmers that can withstand depopulation expected in many hilly and mountainous areas has yet to be introduced in many regions. In 2006, Yoichi Tashiro said "direct payments for hilly and mountainous areas were made to subsidize the efforts to facilitate the maintenance of village functions." Viewed from a macro perspective, this remark implies difficulty in establishing a sustainable farming system even when the system is available.²

(3) Requirements for making the direct payment system for hilly and mountainous areas function

The direct payment system for hilly and mountainous areas cannot function well without a certain population size and community vitality. However, the likelihood that the requirements may not be met in many regions is growing. The population issue may fundamentally damage the expected scenario in this system.

In many hilly and mountainous areas, drastic and rapid worsening of demographics is inevitable. This means that it is necessary to hold discussions on how to adapt the use of subsidies to these changes in the direct payment system for hilly and mountainous areas. Looking at resource management with depopulation in mind, there is a need for a departure from the conventional idea of encouraging large numbers of people to concentrate on the management of large areas of farmland.

(4) Effective use of the direct payment system for hilly and mountainous areas: preparation of a "bulwark" against the spread of the abandonment of cultivation is needed

The direct payment system for hilly and mountainous areas is not a cure-all: it is designed for farming and resource management (prevention of the abandonment of cultivation). There is no program for population support (income). The budget is not large enough for what is supposed to accompany comprehensive measures for maintenance of hilly and mountainous areas. For the aim of regional maintenance, full-scale measures across governmental agencies need to be taken separately. The direct payment system must fight this fight alone. Focusing on designated areas, discussions on better use of this

² See Tashiro (2006) p.80.

system to properly handle depopulation are needed.

If many examples of good practice show the possibility of development of the system, they should be followed. Hilly and mountainous areas may be divided into many types. We see many regions and situations where population limitation is not encountered. Prevalence of such situations is desirable and makes this report unnecessary.

If a situation exists in which you cannot foresee five years later, let alone ten years, spreads rapidly, it is a different story. This report assumes problems that are expected to increase in many such regions.

These regions need the efforts of a certain size of community (formerly the village level) capable of functioning as “bulwark” or “stopper” against failed farming and the spread of the abandonment of cultivation. This is the point of this report.

This system has no population support function for many farmers. Adding some ingenuity to the targets and procedures of the system can lead to the discovery of new possibilities. This should not be disregarded.

To avoid possible misunderstanding, allow me to make it clear that I am not planning to take the course of “structural reform” aiming for greater efficiency, like moving to flat land. To resist population limitation in pushing forward with maintenance of regional farming and farmland management in some form, this kind of bulwark-like and community-led discussion is inevitable.

(5) Many farmland management issues caused by people who turned into minority

In thinly populated areas, many choices of farmland use and management are available. Stockbreeding in mountainous areas (grazing), recommended by people like **Iikuni** and **Shogenji**, is one possible choice.³ It may be one of the forms that is able to adapt itself to changes.

Such a direction means an inclination toward western-style farming and resource management in LFAs, which is based on the precondition that few people extensively use large areas of farmland. This could be followed by westernization in the meaning of direct payments. However, this is an abandonment of a traditional, concentrated form of farm management and its evaluation needs to be preceded by careful analyses based on the theory of multiphase functions. The population limitation that is expected to occur in many hilly and mountainous areas would soon result in an extreme insufficiency of farmland management without the few people’s efforts to come up with ideas for better managing the large areas of farmland and to establish another mechanism accordingly. This should be sufficiently considered.

The reversion to western practices may also be employed in maintaining paddy-field farming. As mentioned later, however, the payments are highly likely to be directed to corporations and other agricultural business bodies in the region, not to individuals like in Western Europe. This report focuses on the possibility of maintenance of paddy-field farming, not usage typical of stockbreeding⁴.

³ See **Iikuni** (2008), **Shogenji** (2000) etc.

⁴ Whether usage typical of stockbreeding is supplementary to the use of paddy fields or should be defined using another kind of logic will be discussed elsewhere.

2. Changes of a model of potential farmers resultant from population decrease

(1) Limitations in individual-based service leading to community farming which also has limitations

As shown in Figure 1, the model of farmers in hilly and mountainous areas has changed in accordance with the progress of aging and depopulation in rural areas. The horizontal axis of the figure represents progress of depopulation while the vertical axis means concentration of management of farmland use on fewer people. For a long time, individual farms have been handled separately, but as this became more difficult, they have been maintained by the establishment of community farming.

Community farming was expected to produce many advantages⁵. Regardless of the area, producing core farmers was inherently difficult for landowner cooperatives that characteristically entailed high land rent and low labor cost and were based on the principle of long-term fairness and “the principle of generosity”⁶. Depopulation, which is progressing in hilly and mountainous areas, quickly led to a loss of the requirement, namely the principle of long-term fairness. It also helped rapidly reduce the supply source of operators.

Related organizations collapsed in succession. Some of the commended best practices were no exception. Amid the creation of a system of specified agricultural corporations etc., the establishment of a system to install farmers in a position above landowner cooperatives, as the one advocated in the 1980s, was expected to help get over the shortcomings of old practices of community farming (“two-storied (multi-layered) farming group”). As [Arahata \(1997\)](#) pointed out, however, the system of specified agricultural corporations that had been expected in hilly and mountainous areas was lagging even in the late 1990s with very few of such corporations established⁷. This means that discovering the core of the system was just as difficult as doing so in hilly and mountainous areas. As [Takahashi \(1996\)](#) argued, the groups have engaged in inter-organization cooperation and many other efforts for reorganization in order to better manage the aging of the population⁸. However, the irreversible progress of aging in rural areas makes it very difficult to reach a fundamental solution.

The transition of farmers explained above is a model. It varies significantly among different regions. We have seen many changes from limitations in individual-based service to community farming (a considerable number of such plans are such in name only due to population limitation). However, very few examples leading to the stage of a “two-storied farming group” are available so far. We have seen relatively many examples of the establishment of an organization for better use of farmland, which resulted from efforts by the agricultural administration of the prefecture or suchlike. However, the core part of such successes is very limited. They will remain to be nothing more than mere formation of “a container” unless some core part is created from the incubation of necessities, namely political support.

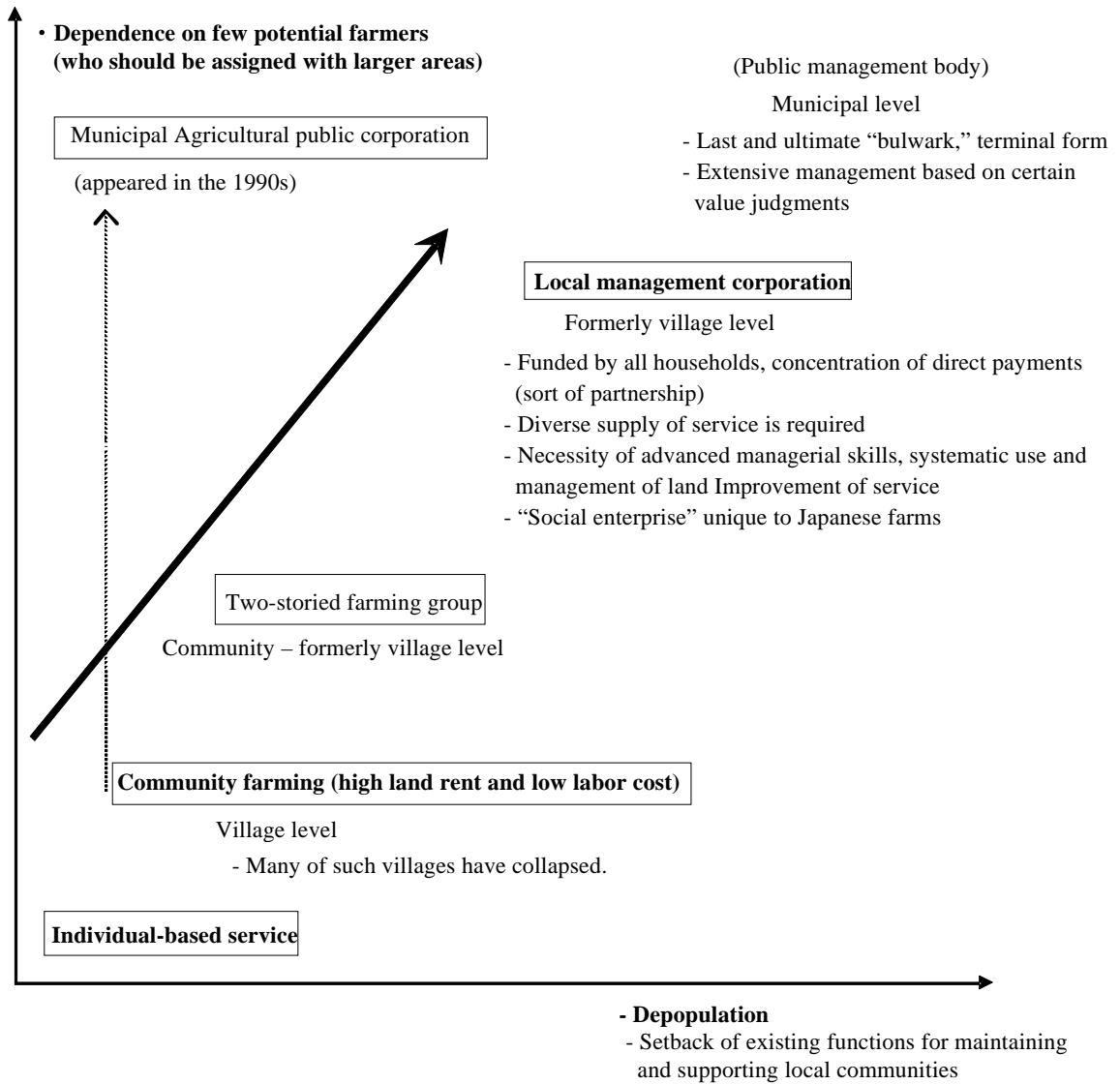
⁵ See [Nagata \(1993\)](#).

⁶ See [Kajii \(1973\)](#).

⁷ See [Arahata \(1997\)](#).

⁸ See [Takahashi \(1996\)](#).

Figure 1 Changes in a model of potential farmers that can function in the face of population decrease



Note 1) Generally, a transition from “individual-based service” to “community farming” is gradually continuing but we see no other changes at present (a considerable part of the transition is in name only or has not been implemented yet). “Two-storied farming group” is partially recognizable. As population limitation progresses, “local management corporations” are being established.

Note 2) If the trend toward aged and single generation continues, local construction businesses etc. may be expected to enter the farming industry and become a sort of potential farmer because of the concentration of direct payment. But they are nothing more than supplementary.

Note 3) Similarly, technical and managerial suggestions about the way an individually-developed management is established is interesting. But this alone is not enough to be regarded as a local

potential farmer. So it is omitted from the above figure.

(2) Limitation of community farming leads to municipal agricultural public corporations

Many regions failed to get over the limitation of individual-based service or community farming. What did they do? One of their actions is direct cultivation by a municipal agricultural public corporation. From around 1990, Chugoku and many other parts of Japan spontaneously dealt with the crisis by setting up a several municipal agricultural public corporations (third sector) in succession⁹.

In Figure 1, municipal agricultural public corporations are represented by the dotted arrow that originates from “Community farming” and points vertically upward to the left of the other arrow. The Ministry of Agriculture and Forestry said it would violate the Agricultural Land Act and tried to control it. Recognized to be “the diversified agent” of a new policy (1992), it was certified as a farm-owning rationalization corporation. Actual management of such corporations by means of intermediate possession has become possible.

In fact, however, these organizations were a “second bureaucracy:” the existence of senior management was only formal (chief executive etc.) and no one was clear about where responsibility and authority lay. Many of these organizations were “devoid of management” with poor managerial attitudes toward effectiveness and efficiency. This kind of high cost, direct cultivation public corporation takes care of the entire municipality and is assigned less-favorable farmland. Many of these public corporations suffer budget deficits and financially weigh on the municipality. It was virtually impossible for the public corporations to serve as a “temporary agent” until a private body that would be willing and ready to replace it was found. The reason for the existence of the public corporations was unclear.

(3) Discussing the future

What should be emphasized in Figure 1 is the fact that, as population limitation draws nearer, consistently encouraging many people to cooperatively use and manage large areas of farmland becomes more difficult, which could result in fewer people having to handle a larger area. Not all of the steps indicated in the figure are taken. Many of the steps are omitted. As mentioned later, new corporations are being established at the former village level.

The “(Public management body)” is indicated at the top right of the figure. This should be considered to be the last means of ensuring a minimal degree of extensive management for preventing an occurrence of enormous environmental loss in the event that the pursuit of establishment of local management corporations and other private agents to serve as a stopper as mentioned later end up in a failure. A situation like this (or collapse of the local resource management system) should be avoided.

What direction should we go in the future? One of the options is the formation of “two-storied farming groups” extending over two or more villages through the creation of the core part of a group by means of incubation businesses and suchlike¹⁰. Behind this lies an excessive shortage of farmers and farm acreage in villages in the hilly and mountainous areas. Incubation may be deemed to supplement the shortcomings

⁹ See Kashiwagi (1994).

¹⁰ See [Zenkei](#) and Kashiwagi (2002) for economic analyses of incubation.

that have kept the conventional line of specified agricultural corporations from functioning satisfactorily. The possibility of incubation should be pursued (See Figure 2).

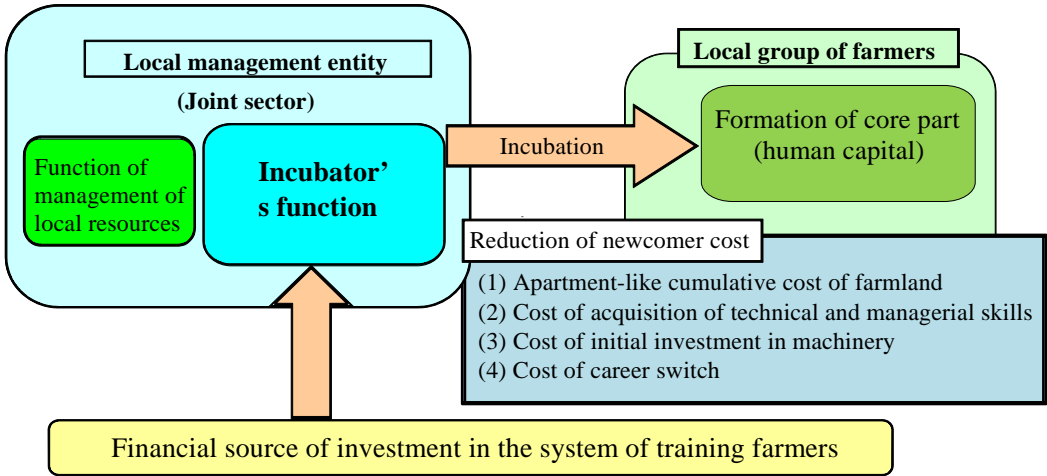
The second option is creation of the last bulwark at the former village (elementary school size district) level.

The feasibility of the first option differs between regions and districts. Because population limitations significantly weaken the functions of villages, the first option may be difficult in many districts. Considering such variations of feasibility and the excessive decrease of villages in hilly and mountainous areas, the last bulwark at the former village level needs to be discussed. In this report, this is referred to as “local management corporation” and involves building a “fort” at the former village level in an effort to halt the collapse as population limitation draws near.

Dependency on few potential farmers will increasingly be unavoidable. Building a system to satisfy the requirements will take on greater importance.

Figure 2 Incubation for making the core of a local farming group

- Creation of agents of local farm industry from nothing
- The obstacle to encouraging urban people to be resettled in farms is a “newcomer cost.” → To be reduced drastically.
- Importance of “incubator” and compensation for “incubation cost (political investment)”



3. Matters to be considered in implementing policies

(1) Importance of investor’s viewpoint

It is important to accurately divide policies into “aftercare” (close to social policies and environmental considerations) or “temporary avoidance of a crisis” and “investment.” The problem of the latter is the scarcity of promising and investable assets to produce returns in the future especially in hilly and

mountainous areas. If they are available, a new entity of local agriculture that may be investable should be created. The incubator shown in Figure 2 for creation of the “core” of local farming is one of the examples of promising and investable assets.

(2) Creation of reliable “core” in large areas

Also from the perspective of the theory of multiphase functions, sustainable continuation of many farms and maintenance of farm businesses in hilly and mountainous areas (origin of the idea of the direct payment system for hilly and mountainous areas) are desirable. If it is difficult for population reasons, however, a transition to a system for maintaining large acreage (including extensive management) with few farmers would be inevitable. “Large area” means a local unit in which agreements can be easily reached with proper use of direct payments without going into deficit. In that regard, former villages are strongest candidates.

While farm populations are falling significantly, the creation of a local farming system with a “core” capable of handling the basic work of farm fields in which middle-sized machinery is operable (relatively good land) in a large area (consisting of two or more communities, desirably a former village) is needed.

In creating such a system, it is important not to give up from the beginning by dwelling on “accepted notions” and the limitation of arable acreage. With the exception of undeveloped and narrow areas and terraced farm fields, if, for example, 10-acre or larger plots of land (preferably about one hectare) that can accommodate a complex of apartment houses or other buildings is available, the use of new managerial approaches enables even family businesses to cultivate about 10-20 hectares for rice crops. In the late 1990s, I published an analysis of facts in a mountainous area of Hiroshima in the official journal of the Agricultural Economics Society of Japan¹¹. Sanei Nosan, a family-owned business located in Sekikawa-mura, one of the largest mountainous areas of Niigata, engages in rice cropping on land the size of 30 hectares under worse conditions. This is made possible through excellent management including work control utilizing differences in elevation. Assignment of basic work may be expanded even further.

At a regional level, it is difficult for this kind of individual management to grow into established farmers. However, the existence of such individual management is of great importance with respect to technical and managerial theories. This is because if the business entity is a local farming body and not individual households, basic work may be performed in a large area utilizing excellent management.

Based on these possibilities, this report is intended to describe the importance of the former village body for farm management, a system for training potential farmers¹².

(3) Use the direct payment system to draw out the diverse possibilities of a community’s initiative

Besides these local bodies for farm management functioning at the former village level, the use of the direct payment system could significantly contribute to the sustainable management of the “core” of

¹¹ See Kashiwagi (1997).

¹² Even without the concentration of the direct payments for hilly and mountainous areas like mentioned later, the possibility of establishment of a management body applicable to former villages is explained in an excellent article authored by Morita (2009) written from the viewpoint of the theory of business management.

diverse and community farming. The direct payments for hilly and mountainous areas are attractive with respect to price standards. Such payments applicable in a “large area” are large in amount and, income-wise, effectively make up for size disadvantages.

4. In the face of population limitation, management bodies of potential farmers have been created in former villages

(1) Concentration of direct payments for creation of a “stopper” to save former villages: Nanto-shi, Toyama example

Following the establishments of the direct payment system for hilly and mountainous areas, efforts are going on around the country to concentrate direct payments on new local management bodies and to support their management for the purpose of preventing the abandonment of cultivation which may result from the aging of the population in a rural area.

Considering the fact of population aging in rural areas, Nanto-shi, Toyama saw the difficulty in farmers independently surviving for the next five years. Since the first period of implementation of the direct payment system for hilly and mountainous areas, Nanto-shi had already established some management bodies in former villages and had supported farmers through the concentration of direct payments in accordance with community agreements.

In Nanto-shi, these management bodies were established in former Taira-mura, former Toga-mura, former Kamitaira-mura and other villages. One third of the total amount of direct payments was dispersed in former Taira-mura, 50% in former Toga-mura and 100% in former Kamitaira-mura. The following examples are from former Kamitaira-mura¹³.

There are eleven small aging communities scattered throughout former Kamitaira-mura. It has 168 farming households. The 41 hectares of terraced paddies is on a steep slope: 80% of it is at 1:20 (5% slope) or steeper while the rest is moderately steep. Preparation of 10 acres of land was completed around 1980. However, its condition is such that “the slope faces take up as much area as the arable land.”

As the trend toward aging and single generation progressed on farms, independently maintaining arable land was already considered unfeasible in the first phase. A large-area agreement was reached by eleven villages in line with a plan to secure a certain area of farmland (41 hectares) and establish new management bodies to cover the 41-hectare farm. This is the Kamitaira Agricultural Public Corporation (established in 2001).

Considering the acreage, assigning a corporation to handle management of the ridges between rice fields (causeways) of farms was deemed unrealistic. In principle, corporations were designed to undertake the main work while farmers engaged in management work (concerning farm roads and waterways, among other things). From the time the public corporation was established, requests for land lease (approx. 10 hectares) have been accepted for the benefit of aging farmers who are too old to even engage in

¹³ Former Kamitaira-mura and former Taira-mura were merged with each other in 2009. The data used is from before the merger.

management work.

The workers include the 65-year-old executive director, as well as farm operator, who formerly worked for JA, and three other operators aged 35, 29 and 23 each. The entire amount of payments in this system (8.06 million yen: 2006) goes to the public corporation. Concerning grants in the first five years, 4.8 million yen was spent annually for the repayment of money used for the purchase of three sets of the principle machinery, and the remainder for operating expenses.

The management body has no physical support or deficit-covering from the government or JA. The gross revenue in fiscal 2005 was nearly 40 million yen, with a profit of 140 thousand yen after costs. The directly paid grants made up 18% of the gross revenue. Obviously the grants help make ends meet. Irrespective of form of the corporation, reformation of organizational systems in pursuit of better effects and efficiencies needs to be tackled in the future.

In the face of serious aging of farming households, direct payments and the establishment of “reliable management bodies to make farmers feel secure” in former villages are the foundation for the existence of such management bodies. This is a very meaningful fact.

(2) Cooperation between local farm management bodies and various local entities controls former villages: 11-village large-area agreement for former Kiyosato-mura in Joetsu-shi

In Kiyosato-ku (former Kiyosato-mura) of Joetsu-shi, Niigata, a large-area agreement was reached by eleven villages of a hilly and mountainous area (Kushiike district)¹⁴. Ninety percent or more of the 240-hectare terraced paddy fields have already been prepared. However, the area had a 57% elderly rate and literally “no one could see five years down the road.”

Green Farm Kiyosato (hereinafter “GFK”), a local farm management body led by a manager highly skilled in business management, is based in this area. GFK borrows a 50-hectare terraced paddy field that is unwanted by anyone else. Because the acreage is large, the amount of direct payments received is also large and it runs a profit. The manager of GFK also takes the initiative in efforts to rebuild local agriculture. It has engaged in many different activities including S-Farm (created for facilitating farmers’ independence through incubation) which is the core of its production organization on the unproductive land in the local community (paddy field acreage: 27 hectares). S-Farm handles over 17 hectares mainly in the local paddy fields. Seven village-based production organizations were established in this district. GFK supported the establishment of some of these organizations and has also endeavored to strengthen cooperation among them. GFK hopes to lead all of these organizations in the future.

As a local management entity taking on these activities, GFK is a self-sustaining operation and a big presence in the district. GFK plays a pivotal role in the community, successfully gathering the limited amount of power remaining and enlarging new possibilities. The driving force is the talented manager. Most importantly, the presence of GFK should not just be vaguely appreciated, it should be seen as the inevitability of the importance of local governance. This is the purpose of institutional reform.

¹⁴ See Kashiwagi (2002) for details.

5. In closing: importance of new local management entities and local governance

It is important to strategically use the direct payment system for hilly and mountainous areas, incubation and creation of local management entities equipped with new business structures facilitating many different types of local resource management and rural development. The on-site local management entity should deserve to be the object of many different investment plans. It will be most effective to significantly link the use of direct payments to the existence and functions of such local entities.

For a long time, “public-private partnership” (PPP) had been regarded as the supplier of mixed goods¹⁵. With the large-area mergers of JA, the hilly and mountainous areas that were located on the margins of the new autonomous communities established after the great municipal mergers of the Heisei Era, lost their supplier of mixed goods just like merger layoffs. Rather than passively introducing the traditional autonomous functions in such “blank areas,” this should be regarded as a good opportunity to create new management entities that can offer better assets and service, and to build a system of cooperation with the government. In other words, there should be a commitment to local governance.

EU has a local action group called LEADER. This program is a partnership of a variety of entities, and is designed for revitalization of depressed areas. In Britain, many partnership entities and the central government that supports the entities have repeatedly gone through the trial and error method. Japan could learn a lot from them¹⁶.

In Europe, there has been an emergence of social enterprises which have attracted attention. In hilly and mountainous areas in Japan, local management corporations are being established through the initiative of local people. Focused on former villages, these corporations are designed to socially offer a variety of assets and service and to support farmers after the withdrawal of JA and other related organizations. They are very close in character to the social enterprises in Europe. The Japanese corporations have many problems such as the lack of cooperation with the government. As social entities unique to Japanese farms, mountains and villages, however, these corporations need to be carefully watched policy-wise as well¹⁷.

¹⁵ See Miyamoto (1991).

¹⁶ On the cooperation between the central government and local partnership entities in Britain, see the article authored by Kashiwagi (2008) discussing the local strategy partnership (LSP) and the local area agreement (LAA). See Kashiwagi (2002) for his view on the importance of the LEADER program.

¹⁷ See Kashiwagi (2007) for his view on Japan-Britain comparative study of social enterprises in rural areas.

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Supplementary article: expansion of the scope of service in former villages and emergence of “social enterprises unique to Japanese rural areas”

Citizen-funded local management corporations and public-private partnership in former Miyamacho, Kyoto

The municipal government of Kyoto has cooperated with the Prefectural Agricultural Association in training “village-type agricultural corporations.” The “village” means many village-like communities such as former villages. Many of these corporations have gone beyond farming and transformed into an entity that meets a variety of needs. In former Miyamacho and other less-favored areas of Nantan, after the large-area merger of JA branch functions were closed one after another. The areas underwent a considerable shock in production and securing of services for their lives. Also concerning pure private assets, general agricultural cooperatives were very significant since they offered assets that were socially necessary for less-favoured areas with very few suppliers.

In the face of the crisis, the establishment of a local management corporation started around 2000 in the Nantan area. The corporation was funded by all the people of the community irrespective of whether they engaged in farming when the area was a municipality, or before the great mergers of the Heisei Era. The “community-owned corporation” is designed to satisfy all the needs of the community including sales of daily necessities, welfare, processing of farm products and support of farmers, and to facilitate integrated development of the economy, society and community environment. This is a sort of social enterprise¹⁸. Also concerning the function of this autonomous body, the recent great mergers of the Heisei Era have aggravated the risks of the drastic decrease of the new local government’s supply of mixed goods to hilly and mountainous areas. The creation of business entities to fill such a gap is necessary.

In Europe, social enterprises rapidly emerged in the 1990s. They are active in many different fields such as employment, welfare, environment and education. There is no single definition for these enterprises. In general, they have the following characteristics:

- (1) They have a social mission: “mission” being a contribution to local society.
- (2) Characterized as a social business, they consistently fulfill the social mission in a business form that is easy to understand.
- (3) They create social innovation.
- (4) There is “Social possession and management” by the community.
- (5) They trend toward reinvesting profits in businesses that involve social missions (external distribution of profits is prohibited).

These characteristics apply to the “community-owned local management body” in the Nantan area in many respects. There is a public nature in the “profitability” and “community revitalization” of these social enterprises. This public nature often helps the local organization cooperate properly with the government sector. Many cooperative efforts with NPOs have been made. In that regard, this may be regarded as a sort of new joint sector.

The national governments of European countries have regarded the social enterprises as the new leaders of regional revitalization and have generously supported them. For example, the British Department of Trade and Industry (DTI) set up the Social Enterprise Unit in 2001, followed by the establishment of Community Interest Company (CIC) in July 2005 as a new corporate entity to facilitate the commitments of the Social Enterprise Unit. The Department of Environment, Food and Rural Affairs (DEFRA) is gradually inclining toward a unique policy in the fields of rural revitalization and regional environment.

How about the conditions for the formation of “a social enterprise unique to Japanese rural areas” to support the peripheral areas (former villages) of hilly and mountainous areas? After the drastic downsizing of the local government and agricultural cooperatives, a business entity that offers mixed goods and private assets that are hard to supply on site due to profitability reasons should form a partnership with the public sector because of its public nature.

However, whether it can achieve growth is a different matter. Securing good managers and staff and filling the shortage of management resources in rural areas requires many different efforts such as cooperation with midstream and downstream companies and NPOs. The business entities can be divided into those with great possibility of growth and those barely operating under the aforementioned partnership. Unfortunately, the latter will occupy the larger part overall. This brings the need for a variety of reforms in regional management, which is modeled in the figure below.

Supplementary figure

Community level (former village, consisting of several villages)

