

The 1% Support Scheme in Ichikawa City

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Organisation: Meiji University, Tokyo

Country: Japan

Level of government: Local government

Sector: General public services

Type: Methods, Partnerships

Launched in: 2005

Overall development time: 1 year(s)

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Description

The 1% Support Scheme in Ichikawa City was inspired by the 1996 Hungarian Personal Income Tax Scheme. This scheme enables the taxpayer to donate 1% of their income tax to nonprofit organisations.

In Hungary, this was seen as a response to the lack of funding of public infrastructure and the weak third sector, after the fall of the Socialist regime in the late 1980s.

The former mayor of Ichikawa City, Mr. Chiba Mitsuyuki, learnt about this scheme through a TV programme and decided to implement it in Ichikawa City. Because of the different cultural and political conditions in Ichikawa city, the original idea had to be adapted to fit into the local context.

Why the innovation was developed

- The 1% scheme was seen by Mr. Chiba as a solution which would help to address this challenge: the local taxpayers themselves could decide which NPOs to support and which not.
 - This would also make citizens aware of the importance of paying taxes. The introduction of the scheme in 2004 showed that many taxpayers in Ichikawa city were not actually fully benefitting from local services, because many were business people (often men) commuting to the Tokyo area to work for 5-6 days a week.
 - Local women and children, on the other hand, were those who were most involved in civic activities. Indeed, many women also volunteered for local nonprofit organisations while their husbands were away at work but were excluded from the scheme.
 - This encouraged the local authority to re-design the scheme by extending the right to vote on which nonprofits should benefit to all those who were engaged in volunteering work within the city (and therefore earning “eco-points”), even though they were not taxpayers. This change proved to be important for the success of the scheme and was integrated into the local ordinance.
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Objectives

Enhance public trust, Improve effectiveness, Improve efficiency, Improve social equity, Increase citizen engagement

- To improve compliance of citizens with taxes and ‘nudge’ them to pay their local taxes;
 - To offer financial aid to nonprofit organisations;
 - To increase citizens’ awareness and understanding of volunteering;
 - To promote collaboration between nonprofit organisations and citizens and to create opportunities for partnership working between nonprofit organisations;
 - To strengthen the “sense of belonging” to Ichikawa.
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Main beneficiaries

Civil Society, General population, Government bodies

- Residents of Ichikawa

Results

Service quality

Responsiveness:

- The scheme provides citizens in Ichikawa City with important services which could not be funded by the local authority. More importantly, the activities of the nonprofit organisations improve the wellbeing of groups of citizens who are at risk of being marginalised and isolated.
- In total, 117 local nonprofit organisations received funding in 2014. As a representative of an organization supporting people with disabilities suggested: “The funding through the 1% scheme has allowed us to provide swimming courses for people with disabilities four times a month and helped them to pay the fee for using the swimming pool”.

Development

Design

he driver of the 1% scheme was the former mayor, Mr. Chiba Mitsuyuki, who worked as a dentist before he entered local politics in 1991, when he became assembly member of Chiba County, where Ichikawa City is located. In 1997 he was directly elected as Ichikawa's mayor and was subsequently re-elected for three consecutive mandates.

Mr. Chiba has been particularly active in promoting a strong civic society, as his strong participation in many publicly-minded activities shows - he was part of the IT Revolution Movement Committee which pushed for the spread of the e-government across Japan, and was a board member of the Chiba Medical Association for the Elderly and of the Health City Association. From the early years of his mandate in Ichikawa city, he sought to strengthen the local community by working in partnership with local nonprofit organisations.

In 1999 he created a vision which the Japanese refer to as Kyo-do (literally translated as “work done in co-operation”). Kyo-do involves partnership working between local authorities and local nonprofit organisations. This requires a financially stable nonprofit sector, as Mr. Chiba soon realized – but in the late 1990s Ichikawa City was not in a very sound financial situation. Therefore, the local authority did not feel able to direct funds from one service to another service, without seeking the permission of the taxpayers.

Implementation

Tools used:

- In order to implement the 1% scheme the local council of Ichikawa City had to pass a local ordinance in 2004. (In local authorities in Japan, any prefecture or municipality may pass a Local Ordinance as specified by Article 94 of the Japanese Constitution). The ordinance made it possible to allow citizens (both tax-payers and residents who are involved in voluntary activities) to vote on the allocation of the funds received through the 1% scheme.
- The scheme includes two main players: Taxpayers who reside in Ichikawa city and local nonprofit organisations. Ichikawa City has a total of 230,000 individual taxpayers with about 38 billion yen worth of municipal tax collected annually (figures from 2013). Local taxpayers are given the opportunity to choose up to three nonprofit organisations to become potential recipients of their 1% tax donation, which amounts to 380 million yen maximum. However, the donation to the selected organisations must not exceed 50% of the organisation's total operating costs.
- Nonprofit organisations which are interested in taking part in this scheme have to submit an application to become eligible for funding. An assessment committee consisting of four academic experts and three selected citizens will assess the application.
- Organisations who are entitled to receive the donations must adhere to the following criteria: have an active office in Ichikawa city; have been continuously active for more than a year at the time of application; not be an illegal organisation or involved in illegal activities; not have conducted activities that impair public order and moral values; and not have taken part in any political or religious activities.
- The 1% scheme is managed by the Citizen Volunteering Unit of the Directorate for Relations with Nonprofit Organisations of Ichikawa City Municipal Government. This unit was established in April 1999 and has been responsible for managing the 1% scheme since 2005, when this scheme was implemented.

Resources used:

- One of the costs has been the administrative cost of running the program - for example, to cover payroll of staff. This was identified as being a problem, since it was eating into the funds available for the programmes which the funding was meant to support.
 - For example, the running costs of the NPO division, with 12 staff, are currently estimated at JPY 10 million annually. The NPO division say that the cost of sustaining the activities is getting higher – e.g. the printing of the 1% newsletter alone costs about 5 million yen. Ways of reducing costs are now seen as important to mitigate this problem.
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Diffusion

- One early indicator of success is that other municipalities have taken inspiration from the Ichikawa 1% scheme and adopted similar methods. The ‘followers’ include: Eniwa City, Ohshu City, Oita City, Izumi City (Osaka), Ikoma City, Saga City, Ichinomiya City, Aichi County (although this scheme is not exactly the same but a hybrid), Yachiyo City, Chiba.
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Challenges and solutions

- Obstacles to overcome have included citizens' reluctance to participate. One reason identified was the necessity of including the number from the tax form in order to cast a vote. Alternatively, a copy of the driving license or health insurance was required. These requirements were perceived as ‘red tape’ by taxpayers and deterred them from voting and are currently being re-evaluated by Ichikawa City.

Lessons Learned

Lessons Learned

- Initially, the 1% scheme was introduced to increase citizens' motivation to pay taxes. The reason citizens were asked to state their tax number while casting their vote was to make people aware of how much they were paying and where the money was going. As Ichikawa City is currently in the process of updating the 1% scheme, this requirement, which creates a barrier to participation, will now be reevaluated.
- As mentioned above, interest from other municipalities was particularly strong during the early years after Ichikawa City implemented this program. Eight other municipalities were identified as having schemes similar to the 1% scheme. In 2009 there was a first Summit, where these municipalities gathered to share their experiences. The mayor who initiated the program and the managers of departments participated in this summit. The Summit has now become annual - this year it will be held in Osaka in September 2014 as an open forum.
- A proposal to increase the percentage so that it becomes higher than 1% of tax is now being studied. This would expand the support services provided by the local government to NPO groups. In this way, more community development projects could be undertaken and more NPOs could benefit from the programme.

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