

RIETI Medium-Term Objectives, Second Term

Introduction

With the advent of the 21st century, Japan is confronted with the serious socio-economic challenges of extremely low fertility, rapid aging, and the resulting decline in population; while being exposed to intensifying competition and increasing need for cooperation in international economic activities. In this challenging environment, Japan must resolutely proceed with reforms, including reform of the economic structure and the administrative system, so as to realize a vibrant and dynamic economy. The Ministry of Economy, Trade and Industry (METI) plays a pivotal role in this endeavor and must not confine itself to merely executing conventional policies within the established framework. Instead, the ministry is now required to develop policies that are innovative yet firmly grounded in solid theoretical framework by integrating broad and diverse perspectives and knowledge from both within and outside Japan.

Against this backdrop, the Research Institute of Economy, Trade and Industry (RIETI), since its inception, has been undertaking research on medium- to long-term economic and industrial policy issues grounded in relevant theoretical and analytical foundations and presenting the findings and policy recommendations to assist the government with the policymaking process. RIETI's recommendations concerning economic and industrial policies have prompted active debate not only within METI but also among numerous experts from a broad array of fields — ranging from officials of other government agencies to leading researchers both in Japan and from abroad, members of the business community, and non-profit and/or non-governmental organizations (NPOs/NGOs) — whereby a platform for public policy debate is now being formulated.

METI established RIETI as an incorporated administrative agency (IAA) staffed by employees of non-public officer status so as to enable the institute to demonstrate its capacity to the fullest extent by employing leading researchers from within and outside Japan in a flexible manner, while securing appropriate independence from its supervising ministry. RIETI has made good use of this unique status. Taking advantage of the given flexibility in personnel management and budget implementation, RIETI

* This text is provisionally translated by RIETI and has not been officially endorsed by the Ministry of Economy, Trade and Industry.

has effectively and efficiently been undertaking policy research and formulating policy recommendations. Its performance in the 1st Medium-Term Plan period (April 2001–March 2006), highly commended by METI and other government agencies, also received high appreciation from academia and the business community. As such, RIETI has increasingly earned international recognition.

In its 2nd Medium-Term Plan period (April 2006–March 2011), RIETI, while continuing efforts to maintain the high academic quality of its research activities, will conduct its operations continually mindful of its duty to contribute to the planning of economic and industrial policies. RIETI will redouble efforts to have its research findings and policy recommendations reflected in the operation of economic and industrial policies. It will also seek to concretely evaluate each research project for its contribution to the government's policymaking process.

In full recognition of these missions stated above, RIETI will make consistent effort to carry out its projects in the 2nd Medium-Term Plan period, thereby further enhancing its status and reputation as an institute assisting the policymaking process.

1. Medium-Term Plan Period

The Medium-Term Plan period will be five years.

2. Operational Efficiency

RIETI will strive to enhance its efficiency so as to realize its potential to the fullest extent. RIETI aims to cut general administrative expenses by an average of 3% or more year-on-year during the 2nd Medium-Term Plan period for projects financed by government grants. RIETI will also reduce operating expenses, excluding those for added or expanded activities, by an average of 1% or more year-on-year. Furthermore, RIETI will strive to reduce personnel expenses in accordance with the requirements applicable to national government employees under the Important Policy of Administrative Reform endorsed by the Cabinet on December 24, 2005; national government agencies are to achieve a net decrease of at least 5% in the number of employees within the next five years and reform the wage structure for employees.

3. Quality of Services to Public and Other Operations

3-1. Activities

To ensure the fulfillment of its missions and to provide theoretical support for economic and industrial policies, RIETI will at all times recognize the need to contribute to the policymaking process. This underlying awareness forms the foundation for identifying research themes that properly respond to the needs of developing economic and industrial policies and allows RIETI to secure further opportunities and improve the quality of research and policy recommendations.

Based on this approach, RIETI needs to develop an accurate understanding of specific policy needs by exchanging opinions, at various levels and at each stage of research, with METI officials and other economic and industrial policy experts. Also, in pursuit of academically supported policy research and policy recommendations, RIETI needs to steadily achieve research results of solid quality, capable of affecting the policymaking process. RIETI will ensure the effective and efficient management of research activities, making it a rule to determine and announce the intended course of research in advance.

In consideration of the above, RIETI will carry out the following operations, promoting effective and efficient policy research and recommendations.

(1) Research

RIETI undertakes basic research concerning the state of the economy and industry both in Japan and abroad as well as relevant economic and industrial policies.

METI has identified four Major Policy Research Domains in which RIETI should continuously undertake research throughout the five-year Medium-Term Plan period: i) Maintaining Economic Dynamism under the Adverse Demographic Conditions of Low Fertility and Aging Population; ii) Promoting Innovation and Strengthening International Competitiveness; iii) Formulating Japan's Strategy in Response to Globalization and Deepening Economic Interdependence in Asia; and iv) Compilation of the History of Japan's Trade and Industry Policy Primarily of the 1980s and 1990s. RIETI is required to devote approximately half of its resources to research activities in these four domains.

The first domain, Maintaining Economic Dynamism under the Adverse Demographic Conditions of Low Fertility and Aging Population, has been selected because comprehensive theoretical and empirical studies are needed to find ways for Japan to ensure long-term economic vitality in the face of these challenges. The second domain,

Promoting Innovation and Strengthening International Competitiveness, has been selected because continuous innovation is indispensable for sustaining the international competitiveness of Japanese companies, and research encompassing both the state of innovation in Japan and the relevant economic theories must be conducted. The third domain, Formulating Japan's Strategy in Response to Globalization and Deepening Economic Interdependence in Asia, addresses the need to study and analyze a broad range of issues concerning trade rules, based on solid economic theories and legal expertise. These well-grounded studies and analyses are crucial in formulating policies concerning rules for trade and investment as well as for international commerce as Japan is faced with a range of trade issues including the globalization and increasing interdependence of national economies, the economic developments of Asian neighbors, and the rapid proliferation of free trade agreements (FTAs) amid the stagnation of trade liberalization talks under the World Trade Organization (WTO). The fourth domain, Compilation of the History of Japan's Trade and Industry Policy Primarily of the 1980s and 1990s, is aimed at enhancing the quality of policy research at RIETI by reviewing Japan's past economic and industrial policies.

In selecting the specific research themes in each of the four Major Policy Research Domains, RIETI consults with METI officials and, if necessary, seeks opinions of other individuals with relevant expertise in order to ensure that RIETI accurately understands policy needs and thereby optimally contributes to the formulation of economic and industrial policies. METI, in turn, will facilitate communication with RIETI by designating a specific individual as its representative responsible for each domain.

For research falling outside the Major Policy Research Domains, RIETI selects themes that, under its own judgment, are perceived to be most appropriate to current needs and from the viewpoint of making the utmost contribution to the formulation of economic and industrial policies.

With each research, RIETI will strive to attain a level high enough to earn recognition from international symposiums, specialized magazines and journals, and other forums that influence policymaking. Also, RIETI will work to maintain the quality of research at a level that, through publication, makes an instructive impact on policy debates both in Japan and abroad.

In making policy recommendations that correspond to a specific major issue, RIETI attempts to undertake comprehensive projects that encompass diverse research themes, wherein researchers with different expertise are brought together to collectively produce cohesive policy recommendations. This enables RIETI to take a comprehensive approach in its research and formulation of policy recommendations when it needs to address complex policy issues.

(2) Policy recommendations and public relations

RIETI actively communicates with interested parties and individuals at each stage of research activities to seek opinions in areas such as research needs and methods, or to present research findings.

At various stages of research — the time of planning, while the research is in progress, upon completion — RIETI will contact and communicate with METI and other interested parties and individuals to seek their opinions in areas such as relevant policy recommendations, research needs and methods, and improving existing procedures. By broadly seeking opinions and assessments both from within and outside Japan, RIETI strives to generate and disseminate research findings worthy of even higher recognition and appreciation. Through candid and frequent exchange of views, RIETI aims to serve as a platform for policy debate. RIETI ensures that information on such interactions will be appropriately disclosed to the public. In order to effectively serve as a platform for policy debate, RIETI strives to disseminate and collect as much information as possible by publishing the contents of research activities and findings on its website, in its periodicals, and by fostering exchanges through participation in or organization of symposiums that can influence policymaking.

(3) Collection and management of materials / processing and management of statistics

RIETI develops and manages materials and statistical data for use in policy analysis.

RIETI will strive to establish a user-friendly and reliable system for collecting and accessing information necessary for policy research and recommendations. To this end, various data and information useful for policymaking will be entered into a database by applying knowledge management methodology that takes full advantage of information technology.

RIETI will also consider the possibility of incorporating new statistics and statistical

compilation so as to develop statistical data deemed useful by METI, policy researchers, and other relevant users.

(4) Support for capacity-building for policy research and policymaking

RIETI seeks the participation of a greater number of METI officials for exchanging opinions on research or for policy debate. Such occasions include research workshops held while planning or performing research, symposiums in which results are presented, and brown bag lunch (BBL) seminars.

When accepting METI officials as consulting fellows (part-time researchers), RIETI sees to it that they team up with more experienced researchers, such as full-time fellows and faculty fellows, thereby helping them build capacity for policy research and policymaking.

3-2. Evaluation method

To improve the quality of operations, performance indicators must be set for each type of operation in accordance with the purposes assigned. In doing so, RIETI strives to maintain or exceed the designated level of quality for each type of operation every fiscal year.

In evaluating the implementation of (1) research and (2) policy recommendations and public relations, focus should be placed on whether RIETI's policy research and recommendations have been qualitatively sound and made impacts conducive to the reform or development of policies. Specifically, quantitative and qualitative evaluations will be carried out from the standpoints listed below. Some of the items listed under quantitative evaluation are designed to screen policy research and recommendations in terms of their potential to contribute to the policymaking process rather than simply providing an output.

Quantitative evaluation

- Ex-post evaluation through questionnaire surveys with METI to assess the choice of research themes and the research findings from the viewpoint of their contribution to the formulation of economic and industrial policies
- Evaluation of the content of symposiums, BBL seminars, and other events organized by RIETI, through methods such as questionnaire surveys with participants

- Number of publications resulting from research and number of times in which research papers have been presented or introduced at symposiums, specialized magazines and journals, etc.
- Number of symposiums, BBL seminars, and other events held to present recommendations
- Cumulative number of research papers downloaded from the RIETI website
- Evaluation by external reviewers of research papers for their academic quality

Qualitative evaluation

- RIETI's ability to put forward innovative, theoretically and analytically well-grounded policy recommendations to address medium- to long-term economic and industrial policy issues
- The ability of RIETI's research findings and policy recommendations to be cited by influential reviews or accessed in policy debate among influential individuals in terms of the impact on the government's decision-making or policymaking process
- Whether or not RIETI can justify its research activities, and/or is deviating from its mission of undertaking policy research and formulating policy recommendations in a way that addresses medium- to long-term economic and industrial policy issues
- How and to what extent RIETI has refined its research management so as to generate high-quality research outcomes that can contribute to the formulation of economic and industrial policies

Item (3) Collection and management of materials / processing and management of statistics - will be evaluated from the following standpoint:

- Status of use of each database by users

Item (4) Support for capacity-building for policy research and policymaking will be evaluated as follows:

- Evaluation by METI officials who have attended research workshops, symposiums, BBL seminars, and other events
- Evaluation of measures implemented for the purpose of improving the policy research capacities of consulting fellows from METI

Finally, as a means to provide cross-cutting indicators to measure performance in each type of operation from (1) through (4), the following evaluations will be undertaken:

- Number of newsletter publications
- Number of times RIETI website accessed

4. Improvement of Financial Status

Operating as an institute for public policy research, RIETI, while basically dependent on government grants, will at all times strive to use the funds effectively and efficiently by capitalizing on revenue-generating opportunities, avoiding excessive rigidity in organizational management that can incur unnecessary fixed costs, and ensuring transparency and accountability in the use of funds. When RIETI receives a request from a government agency or private-sector company to undertake certain research as a commissioned project, it is willing to consider the request while continuing to prioritize projects financed by government grants, provided that RIETI is assured freedom from external influences and constraints on the content and usage of research results, and that the commissioned research falls within RIETI's designated research areas. Furthermore, with respect to research projects financed by competitive funds, RIETI will extend support to individual researchers seeking to acquire such funds, as long as the research content falls within RIETI's research areas.

From the viewpoint of ensuring financial soundness, RIETI will strictly refrain from borrowing funds unless a specific reason necessitates it.

Based on the abovementioned efficient and appropriate fund management, RIETI will implement a suitable budget for each type of operation.

As a measurement to evaluate revenue opportunities, the following will be used:

- Revenue from publications, symposiums, etc.

5. Other Operations

As an institute financed by government grants provided through METI as the client ministry, RIETI will not only to undertake research but also to present policy recommendations that can influence the policymaking process, while maintaining close communication with and having access to information held by METI. Taking full advantage of its unique mandate to pursue such objectives, RIETI will strive to differentiate itself from other research institutes, thereby clarifying and externally

publicizing its core competencies so as to establish an international reputation as a policy research institute.

Since its inception, RIETI has taken advantage of its position as an IAA staffed by employees of a non-public officer status to implement a personnel system in which researchers can be flexibly appointed in accordance with the changing and diverse policy needs, with researchers compensated at levels appropriate to their research achievements. RIETI will continuously seek to mobilize personnel with diverse backgrounds relating to economic and industrial policies, thereby producing high-caliber researchers. Furthermore, RIETI will make improvements as needed based on client evaluations of research domains, themes, and findings, including fiscal year-end evaluations, as well as those obtained through interactions with METI officials and other clients at various stages of research.

As a measurement to specifically evaluate the employment system, the following evaluation will be used:

- Number of instances of flexible employment arrangements (fixed-term appointment, part-time employment, appointment of those with a concurrent post, etc.)