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Different starting lines

Lessons from Japan's
performance-based funding
experience

Yutaro TSUJI

- Ph.D. Candidate, The University of Tokyo, Japan
- Visiting Ph.D. Researcher, University of Twente,
The Netherlands

E-mail: ytsuji@p.u-tokyo.ac.jp



University of Tokyo

In this presentation, we will see...

1 How are national universities in Japan funded?

2 What performance-based funding (PBF) systems have been adopted in Japan, and how?

3 What reallocation effects have been brought about by the PBF system?



What can we learn from Japan's case?

Japanese national universities: Key facts in 2024



85 universities - **10%** of all universities (13% municipal, 77% private)

Former imperial (7), Teacher training (12), General university (41) ...



At least one national university in **every prefecture**



Accommodate **16%** of BA, **55%** of MA, **68%** of Ph.D. students



2.1tn JPY (€13 bn) of revenue

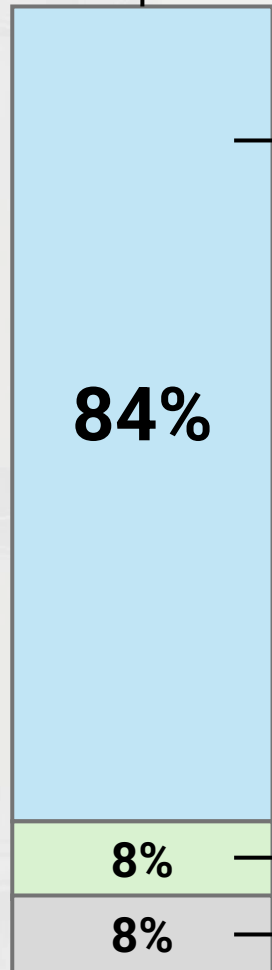
48% Core funding / 34% Third party funds (incl. subsidies) / **17% Tuition fee**

Incorporation of national universities in 2004: a NPM reform

		After 2004	Before 2004
Governance	Organizational status	Legal independent entity (Supervised by the ministry)	Part of the Ministry
	President's authority	Strong	Weak ("faculty board rules")
	Appointment authority	President	Minister of Education (MEXT)
	Status of staff	"Semi" national civil servant	National civil servant
Evaluation	Self-evaluation	Yes	Yes
	External evaluation	6-year achievement plan	No
	Linked to core funding	Yes	No
Funding	Core funding	Lump-sum block grant	Line-item budget

Core funding at a glance in FY2024

1.1tn JPY (€6.6 bn): -13% (-17% in const. prices) compared to FY2004



Basic funds

- **Historical basis (75% of core funding) + PBF (9% of core funding)**
- Lump-sum budget for universities

Mission funds (name changed every 6 years)

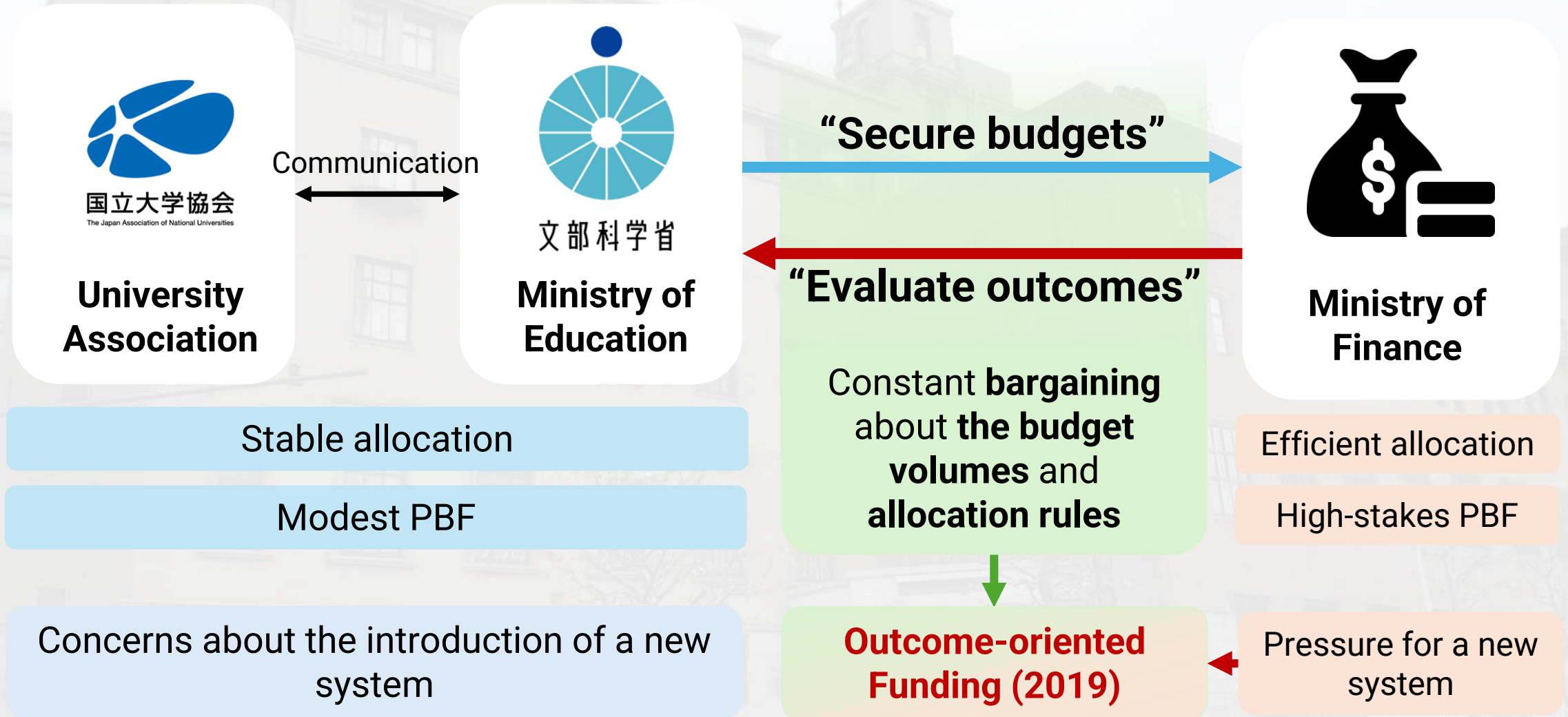
- **Annual budget request and review** (incl. project funding for national goals) + **PBF (>0.3% of core funding)**
- Some restrictions to spending

Dedicated funds: Obligatory expenditure by the government (e.g., retirement payment)

PBF in core funding: a combination of systems

	Applied to	Mission funds			Basic funds
Description	Name	National University Evaluation	Focused Support	----> Social Impact Evaluation	Outcome-oriented Funding
	Period	2004-	2016-2021	----> 2022-	2019-
	Aims	<ul style="list-style-type: none"> Enhance accountability Improve performance 	<ul style="list-style-type: none"> Clarify and focus on institution's mission 	<ul style="list-style-type: none"> Encourage university's effort to produce social impact 	<ul style="list-style-type: none"> Improve quality of education and research Promote reforms at the institutional level
Evaluation	Method	Peer-review of 6-year achievement plan	Peer-review of Self-selected KPIs	(To be made public)	Mandatory prescribed Indicators
	Timing	4th and 6th year	Annual	Twice in 6 years	Annual
Allocation	Method	Reserved bonus	Zero-sum within 3 evaluation groups	(To be made public)	Zero-sum within 5 (3 until 2021) evaluation groups
	PBF budget at stake (as % of Core Funds)	0.3%	1% -> 3%	(To be made public)	6% -> 9%

Stakeholders and politics behind PBF systems



Ph.D. dissertation, Takeuchi (2019)

Images: https://www.mext.go.jp/b_menu/soshiki2/mark/index.htm, <https://www.janu.jp/janu/gaiyou/logo/>, flaticon.com

Outcome-oriented funding: indicators and weights

1 Calculate the **budget at stake at each institution**
(approx. 4% - 12% of core funding in 2021 / depending on the share of basic funds)

3 The **score (75%-125%)** is decided for each indicator by comparison within the evaluation group
(Top 10 percentile = 125%, 10-20 percentile = 120%, ...)

4 Reallocation (a zero-sum game) is made within the evaluation group

2 Evaluate by prescribed mandatory 11 (12) indicators

Category	Indicator	Weight
Research	Early career researcher ratio	17.5%
	Publications	11.3%
	(Cost per top 10% most cited publications)	(*)
Research/ Management	National research grants	11.3%
	Joint and commissioned research income	11.3%
Management	Charity funds	16.9%
	Accounting and facility management	7.9%
	Personnel management	4.5%
Education	Employment rate of graduates	6.8%
	Ph.D. Degrees	6.8%
	Commitment to education improvement	5.6%
Total		100%

*Only applicable to evaluation groups G3 (explained in the next slide)

Outcome-oriented funding: evaluation groups

Evaluation (transferred from 'Fo

Typology in HE research
Former Imperial
General w/Med.
General w/o Med.
Science & Engineering
Medical
Soc. Sci. & Humanity
Teacher Training
Graduate Program

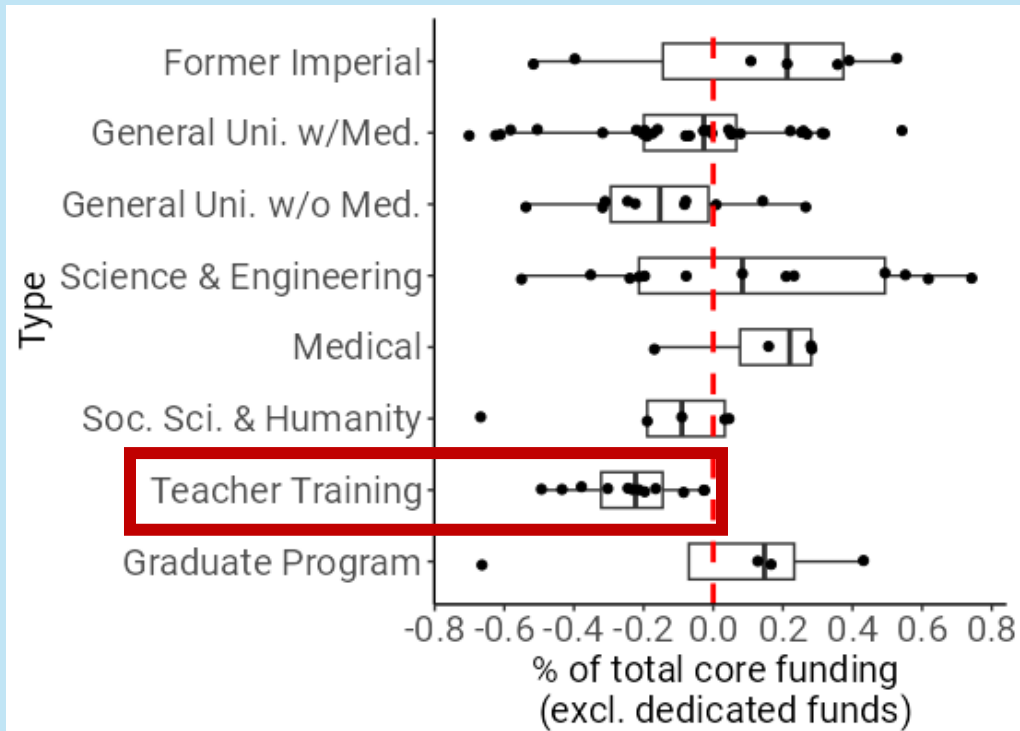
Evaluation groups 2022-

(Group 1 and 3 were split into two respectively)

Typology in HE research	G1-1 Local w/ Med.	G1-2 Local w/o Med.	G2 Nationwide	G3-1 Worldwide Flagship	G3-2 Worldwide
Former Imperial				6	1
General Uni. w/Med.	25				5
General Uni. w/o Med.		8	2	1	
Science & Engineering		7	4	1	1
Medical	3			1	
Soc. Sci. & Humanity		2	2	1	
Teacher Training		10	2		
Graduate Program			4		

Outcome-oriented funding: reallocation effects

Total increase and decrease from 2019 to 2022



Which indicators drive differences?

(% of total core funding excl. dedicated funds: median)

National research grant	Type	19	20	21	22
	Graduate Program	N/A	0.08	0.14	0.13

Charity funds	Type	19	20	21	22
	Teacher Training	-0.11	-0.08	-0.15	-0.14
	General Uni. w/o Med.	-0.11	-0.07	-0.05	0.00
	Medical	0.11	0.10	0.17	0.18

Reallocation from 'teacher training' to 'medical'

Data: Disclosed by Ministry of Education upon my request. Not public.

What can we learn from Japan's case?

Politics

- **Compromise and bargaining** about the volume and allocation rules

Design

- **Mandatory prescribed indicators** are used for heterogeneous institutions
- **The grouping** lacked evidence-informed consideration (at least before 2022)

Reallocation effects

- Negative effects on one group (teacher training universities)
- **Mismatch** between **indicators** and **institutional profiles**

Lessons

- **Take institutional characteristics into consideration** in the design of PBF system, especially for **grouping of institutions and selection of indicators**
- **Ensure transparency of rules and data** for research and policymaking

Thank you for your attention! Questions are welcome.

E-mail: ytsuji@p.u-tokyo.ac.jp

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